*Chapter 2*

**Courts and Alternative Dispute Resolution**

***Case 2.1***

C.A.3 (Virgin Islands),2013.

Mala v. Crown Bay Marina, Inc.

704 F.3d 239

United States Court of Appeals,

Third Circuit.

**Kelley Joseph MALA, Appellant**

**v.**

**CROWN BAY MARINA, INC.**

No. 10–4710.

Submitted Pursuant to Third Circuit L.A.R. 34.1(a) Dec. 3, 2012.

Filed: Jan. 7, 2013.

OPINION

[SMITH](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=PROFILER-WLD&DocName=0223182001&FindType=h), Circuit Judge.

Kelley Mala sued Crown Bay Marina after his boat exploded. The District Court conducted a bench trial during which Mala represented himself and after which the court rejected his negligence claims. Mala now contends that the court should have provided him with additional assistance because of his status as a pro se litigant. He also contends that the court wrongfully denied his request for a jury trial and improperly ruled on a variety of post-trial motions. We reject these contentions and we will affirm.

I

Mala is a citizen of the United States Virgin Islands. On January 6, 2005, he went for a cruise in his powerboat near St. Thomas, Virgin Islands. When his boat ran low on gas, he entered Crown Bay Marina to refuel. Mala tied the boat to one of Crown Bay's eight fueling stations and began filling his tank with an automatic gas pump. Before walking to the cash register to buy oil, Mala asked a Crown Bay attendant to watch his boat.

By the time Mala returned, the boat's tank was overflowing and fuel was spilling into the boat and into the water. The attendant manually shut off the pump and acknowledged that the pump had been malfunctioning in recent days. Mala began cleaning up the fuel, and at some point, the attendant provided soap and water. Mala eventually departed the marina, but as he did so, the engine caught fire and exploded. Mala was thrown into the water and was severely burned. His boat was unsalvageable.

More than a year later, Mala sued Crown Bay in the District Court of the Virgin Islands.[FN1](#Document1zzB00112029570914) Mala's pro se complaint asserted two claims: first, that Crown Bay negligently trained and supervised its attendant, and second, that Crown Bay negligently maintained its gas pump. The complaint also alleged that the District Court had admiralty and diversity jurisdiction over the case, and it requested a jury trial. At the time Mala filed the complaint, he was imprisoned in Puerto Rico. Although the record is silent on the reason for his imprisonment, it is fair to say that he is a seasoned litigant—in fact, he has filed at least twenty other pro se lawsuits.[FN2](#Document1zzB00222029570914) *See* Appellee's Br. at 21–22.

[FN1.](#Document1zzF00112029570914) Chief Judge Curtis Gomez was initially assigned the case, but Judge Juan Sanchez took over in the middle of 2010 and presided over the trial.

[FN2.](#Document1zzF00222029570914) Mala requested a court-appointed attorney in this case, but the District Court denied the request because his history of filing frivolous lawsuits prevented him from securing *in forma pauperis* status. *See* [28 U.S.C. § 1915](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=1000546&DocName=28USCAS1915&FindType=L).

Mala's original complaint named “Crown Bay Marina Inc.” as the sole defendant. But Mala soon amended his complaint by adding other defendants—including Crown Bay's dock attendant, Chubb Group Insurance Company, Crown Bay's attorney, and “Marine Management Services Inc, [a] registered corporation entity duly licensed to conduct business in the State of Florida ..., d/b/a Crown Bay Marina Inc, [ ] a corporate entity duly licensed to conduct business in St. Thomas Virgin Islands of the Unites States.” JA 55. The District Court allowed Mala to amend his complaint a second time by adding his wife as a plaintiff—though the court dismissed her loss-of-consortium claim shortly thereafter. Mala later attempted to amend his complaint a third time by adding Texaco as a defendant. The District Court rejected this attempt for failing to comply with [Federal Rule of Civil Procedure 15(a)(2)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=1004365&DocName=USFRCPR15&FindType=L) (requiring the other side's consent or the court's leave).[FN3](#Document1zzB00332029570914)

[FN3.](#Document1zzF00332029570914) Because the District Court refused to add Texaco as a defendant, *see* JA 94 n.2, we have omitted “Texaco Puerto Rico” from the case caption.

As the trial approached, two significant incidents took place. First, the District Court decided on its own to identify the parties to the case. It concluded that the only parties were Mala and “Marine Services Management d/b/a Crown Bay Marina, Inc.” JA 132. It thereby dismissed all other defendants that Mala had named in his various pleadings.

Next, Crown Bay filed a motion to strike Mala's jury demand. Crown Bay argued that plaintiffs generally do not have a jury-trial right in admiralty cases—only when the court also has diversity jurisdiction. And Crown Bay asserted that the parties were not diverse in this case, which the court itself had acknowledged in a previous order. In response to this motion, the District Court ruled that both Mala and Crown Bay were citizens of the Virgin Islands. The court therefore struck Mala's jury demand, but nevertheless opted to empanel an advisory jury.

The trial began at the end of 2010—nearly four and a half years after Mala filed his complaint. The delay is partly attributable to the District Court's decision to postpone the trial until after Mala's release from prison. At the close of Mala's case-in-chief, Crown Bay renewed a previous motion for summary judgment. The court granted the motion on the negligent-supervision claim but allowed the negligent-maintenance claim to go forward. At the end of the trial, the advisory jury returned a verdict of $460,000 for Mala—$400,000 for pain and suffering and $60,000 in compensatory damages. It concluded that Mala was 25 percent at fault and that Crown Bay was 75 percent at fault. The District Court ultimately rejected the verdict and entered judgment for Crown Bay on both claims.

After his loss at trial, Mala filed a flurry of motions, asking the court to vacate its judgment and hold a new trial. These motions contained numerous overlapping objections. A magistrate judge prepared three Reports and Recommendations that summarized Mala's claims and urged the District Court to reject all of them. Judge Sanchez adopted these recommendations and explained his reasoning in an eight-page opinion.

This appeal followed. Mala argues that the District Court made three reversible errors. First, the court failed to accommodate Mala as a pro se litigant. Second, it improperly denied his request for a jury trial. Third, it erroneously adopted the magistrate's recommendations. We consider and reject these arguments in turn.[FN4](#Document1zzB00442029570914)

[FN4.](#Document1zzF00442029570914) The District Court had admiralty jurisdiction under [28 U.S.C. § 1333(1)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=1000546&DocName=28USCAS1333&FindType=L&ReferencePositionType=T&ReferencePosition=SP_f1c50000821b0). Mala argues that the court also had diversity jurisdiction under [28 U.S.C. § 1332](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=1000546&DocName=28USCAS1332&FindType=L). This argument determines the outcome of Mala's jury claim, so we will discuss it in Part III. At all events, we have jurisdiction under [28 U.S.C. § 1291](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=1000546&DocName=28USCAS1291&FindType=L).

II

Mala first argues that the District Court did not give appropriate consideration to his status as a pro se litigant. Specifically, he claims that the District Court should have provided him with a pro se manual—a manual that is available to pro se litigants in other districts in the Third Circuit and throughout the country. We conclude that pro se litigants do not have a right to general legal advice from judges, so the District Court did not abuse its discretion by failing to provide a manual.

According to Mala, “[t]here is comparatively little case law regarding the responsibility of courts to provide information and assistance to the *pro se* party.” Appellant's Br. at 7. A more accurate statement is that there is *no* case law requiring courts to provide general legal advice to pro se parties. In a long line of cases, the Supreme Court has repeatedly concluded that courts are under no such obligation. *See, e.g.,* [*McKaskle v. Wiggins,* 465 U.S. 168, 183–184, 104 S.Ct. 944, 79 L.Ed.2d 122 (1984)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=708&FindType=Y&SerialNum=1984104104) (“A defendant does not have a constitutional right to receive personal instruction from the trial judge on courtroom procedure. Nor does the Constitution require judges to take over chores for a *pro se* defendant that would normally be attended to by trained counsel as a matter of course.”); [*McNeil v. United States,* 508 U.S. 106, 113, 113 S.Ct. 1980, 124 L.Ed.2d 21 (1993)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=708&FindType=Y&SerialNum=1993105335); [*Faretta v. California,* 422 U.S. 806, 834 n. 46, 95 S.Ct. 2525, 45 L.Ed.2d 562 (1975)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=708&FindType=Y&SerialNum=1975129837).

[[1]](#Document1zzF12029570914)[[2]](#Document1zzF22029570914) The Supreme Court revisited this line of cases nearly a decade ago. In [*Pliler v. Ford,* 542 U.S. 225, 124 S.Ct. 2441, 159 L.Ed.2d 338 (2004)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=708&FindType=Y&SerialNum=2004610847), the Court rejected the idea that district courts must provide a specific warning to pro se litigants in certain habeas cases. It concluded that “[d]istrict judges have no obligation to act as counsel or paralegal to *pro se* litigants.” [*Id.* at 231, 124 S.Ct. 2441.](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=708&FindType=Y&SerialNum=2004610847) After all, a “trial judge is under no duty to provide personal instruction on courtroom procedure or to perform any legal ‘chores' for the defendant that counsel would normally carry out.” [*Id.*](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&FindType=Y&SerialNum=2004610847) (quoting [*Martinez v. Court of Appeal of Cal., Fourth Appellate Dist.,* 528 U.S. 152, 162, 120 S.Ct. 684, 145 L.Ed.2d 597 (2000)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=708&FindType=Y&SerialNum=2000029542)) (quotation marks omitted). Because of this general rule, courts need not, for example, inform pro se litigants of an impending statute of limitation. *See* [*Outler v. United States,* 485 F.3d 1273, 1282 n. 4 (11th Cir.2007)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=506&FindType=Y&ReferencePositionType=S&SerialNum=2012228871&ReferencePosition=1282) (“[N]o case has ever held that a *pro se* litigant should be given actual notice of a statute of limitations.”).

[[3]](#Document1zzF32029570914) The general rule, then, is that courts need not provide substantive legal advice to pro se litigants. Aside from the two exceptions discussed below, federal courts treat pro se litigants the same as any other litigant. This rule makes sense. Judges must be impartial, and they put their impartiality at risk—or at least might *appear* to become partial to one side—when they provide trial assistance to a party. *See* [*Pliler,* 542 U.S. at 231, 124 S.Ct. 2441](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=708&FindType=Y&SerialNum=2004610847) (“Requiring district courts to advise a *pro se* litigant ... would undermine district judges' role as impartial decisionmakers.”); [*Jacobsen v. Filler,* 790 F.2d 1362, 1364 (9th Cir.1986)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=350&FindType=Y&ReferencePositionType=S&SerialNum=1986127663&ReferencePosition=1364); *see also* Julie M. Bradlow, Comment, [*Procedural Due Process Rights of Pro Se Civil Litigants,* 55 U. Chi. L.Rev. 659, 671 (1988)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=3039&FindType=Y&ReferencePositionType=S&SerialNum=0101628657&ReferencePosition=671) (“[E]xtending too much procedural leniency to a pro se litigant risks undermining the impartial role of the judge in the adversary system.”). Moreover, this rule eliminates the risk that judges will provide bad advice. *See* [*Pliler,* 542 U.S. at 231–32, 124 S.Ct. 2441](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=708&FindType=Y&SerialNum=2004610847) (noting that warnings and other legal advice “run the risk of being misleading themselves”); *see also* Robert Bacharach & Lyn Entzeroth, [*Judicial Advocacy in Pro Se Litigation: A Return to Neutrality,* 42 Ind. L.Rev. 19, 42 (2009)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=2442&FindType=Y&ReferencePositionType=S&SerialNum=0344573730&ReferencePosition=42) ( “[G]iving legal advice is prohibited by multiple canons of judicial conduct.”).

To be sure, some cases have given greater leeway to pro se litigants. These cases fit into two narrow exceptions. First, we tend to be flexible when applying procedural rules to pro se litigants, especially when interpreting their pleadings. *See, e.g.,* [*Higgs v. Att'y Gen.,* 655 F.3d 333, 339 (3d Cir.2011)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=506&FindType=Y&ReferencePositionType=S&SerialNum=2025930692&ReferencePosition=339) (“The obligation to liberally construe a *pro se* litigant's pleadings is well-established.”). This means that we are willing to apply the relevant legal principle even when the complaint has failed to name it. [*Dluhos v. Strasberg,* 321 F.3d 365, 369 (3d Cir.2003)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=506&FindType=Y&ReferencePositionType=S&SerialNum=2003171029&ReferencePosition=369). And at least on one occasion, we have refused to apply the doctrine of appellate waiver when dealing with a pro se litigant. [*Tabron v. Grace,* 6 F.3d 147, 153 n. 2 (3d Cir.1993)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=506&FindType=Y&ReferencePositionType=S&SerialNum=1993191107&ReferencePosition=153). This tradition of leniency descends from the Supreme Court's decades-old decision in [*Haines v. Kerner,* 404 U.S. 519, 92 S.Ct. 594, 30 L.Ed.2d 652 (1972)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=708&FindType=Y&SerialNum=1972127052). In [*Haines,*](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&FindType=Y&SerialNum=1972127052) the Court instructed judges to hold pro se complaints “to less stringent standards than formal pleadings drafted by lawyers.” [*Id.* at 520, 92 S.Ct. 594;](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=708&FindType=Y&SerialNum=1972127052) *see* [*Erickson v. Pardus,* 551 U.S. 89, 94, 127 S.Ct. 2197, 167 L.Ed.2d 1081 (2007)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=708&FindType=Y&SerialNum=2012395796).

We are especially likely to be flexible when dealing with imprisoned pro se litigants. Such litigants often lack the resources and freedom necessary to comply with the technical rules of modern litigation. *See* [*Moore v. Florida,* 703 F.2d 516, 520 (11th Cir.1983)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=350&FindType=Y&ReferencePositionType=S&SerialNum=1983115936&ReferencePosition=520) (“Pro se prison inmates, with limited access to legal materials, occupy a position significantly different from that occupied by litigants represented by counsel”). The Supreme Court has “insisted that the pleadings prepared by prisoners who do not have access to counsel be liberally construed and [has] held that some procedural rules must give way because of the unique circumstance of incarceration.” [*McNeil v. United States,* 508 U.S. 106, 113, 113 S.Ct. 1980, 124 L.Ed.2d 21 (1993)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=708&FindType=Y&SerialNum=1993105335) (citations omitted). Accordingly, the Supreme Court has concluded that pro se prisoners successfully file a notice of appeal in habeas cases when they deliver the filings to prison authorities—not when the court receives the filings, as is generally true. [*Houston v. Lack,* 487 U.S. 266, 270–71, 108 S.Ct. 2379, 101 L.Ed.2d 245 (1988)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=708&FindType=Y&SerialNum=1988082106) (“Such prisoners cannot take the steps other litigants can take to monitor the processing of their notices of appeal and to ensure that the court clerk receives and stamps their notices of appeal before the 30–day deadline.”).

[[4]](#Document1zzF42029570914)[[5]](#Document1zzF52029570914) Yet there are limits to our procedural flexibility. For example, pro se litigants still must allege sufficient facts in their complaints to support a claim. *See* [*Riddle v. Mondragon,* 83 F.3d 1197, 1202 (10th Cir.1996)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=506&FindType=Y&ReferencePositionType=S&SerialNum=1996104515&ReferencePosition=1202). And they still must serve process on the correct defendants. *See* [*Franklin v. Murphy,* 745 F.2d 1221, 1234–35 (9th Cir.1984)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=350&FindType=Y&ReferencePositionType=S&SerialNum=1984149538&ReferencePosition=1234). At the end of the day, they cannot flout procedural rules—they must abide by the same rules that apply to all other litigants. *See* [*McNeil,* 508 U.S. at 113, 113 S.Ct. 1980](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=708&FindType=Y&SerialNum=1993105335) (“[W]e have never suggested that procedural rules in ordinary civil litigation should be interpreted so as to excuse mistakes by those who proceed without counsel.”); [*Kay v. Bemis,* 500 F.3d 1214, 1218 (10th Cir.2007)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=506&FindType=Y&ReferencePositionType=S&SerialNum=2013188504&ReferencePosition=1218).

[[6]](#Document1zzF62029570914) The second exception to our general rule of evenhandedness is likewise narrow. We have held that district courts must provide notice to pro se prisoners when converting a motion to dismiss into a motion for summary judgment. *See* [*Renchenski v. Williams,* 622 F.3d 315, 340 (3d Cir.2010)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=506&FindType=Y&ReferencePositionType=S&SerialNum=2023218929&ReferencePosition=340). In particular, courts must tell pro se prisoners about the effects of not filing any opposing affidavits. [*Id.;*](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&FindType=Y&SerialNum=2023218929) *see also* [*Somerville v. Hall,* 2 F.3d 1563, 1564 (11th Cir.1993)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=506&FindType=Y&ReferencePositionType=S&SerialNum=1993178757&ReferencePosition=1564); [*Neal v. Kelly,* 963 F.2d 453, 457 (D.C.Cir.1992)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=350&FindType=Y&ReferencePositionType=S&SerialNum=1992093170&ReferencePosition=457); [*Klingele v. Eikenberry,* 849 F.2d 409, 411 (9th Cir.1988)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=350&FindType=Y&ReferencePositionType=S&SerialNum=1988077662&ReferencePosition=411) (concluding that the rule applies only to pro se prisoners). *But see* [*Williams v. Browman,* 981 F.2d 901, 903–04 (6th Cir.1992)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=350&FindType=Y&ReferencePositionType=S&SerialNum=1992214804&ReferencePosition=903) (holding that such notice is unnecessary); [*Martin v. Harrison Cnty. Jail,* 975 F.2d 192, 193 (5th Cir.1992)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=350&FindType=Y&ReferencePositionType=S&SerialNum=1992170803&ReferencePosition=193) (same).

Similarly, the Supreme Court has required district courts to provide notice to pro se litigants in habeas cases before converting any motion into a motion to vacate under [28 U.S.C. § 2255](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=1000546&DocName=28USCAS2255&FindType=L). *See* [*Castro v. United States,* 540 U.S. 375, 383, 124 S.Ct. 786, 157 L.Ed.2d 778 (2003)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=708&FindType=Y&SerialNum=2003915490). The underlying principle is simple: when a court acts on its own in a way that significantly alters a pro se litigant's rights—for example, by converting one type of motion into a different type of motion—the court should inform the pro se party of the legal consequences. But as the Supreme Court made clear only a few months after [*Castro,*](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&FindType=Y&SerialNum=2003915490) notice is the exception. Nonassistance is the rule. *See* [*Pliler,* 542 U.S. at 231, 233–34, 124 S.Ct. 2441](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=708&FindType=Y&SerialNum=2004610847).

That brings us back to Mala's claim. Mala argues that the District Court should have provided him with a pro se manual. Various district courts have created manuals to help pro se litigants navigate the currents of modern litigation. *See,* *e.g.,* U.S. District Court for the Eastern District of Pennsylvania, *Clerk's Office Procedural Handbook* (2012), http: //www. paed. uscourts. gov/ documents/ handbook/ handbook. pdf; U.S. District Court for the Western District of Pennsylvania, *Pro Se Package: A Simple Guide to Filing a Civil Action* (2009), http:// www. pawd. uscourts. gov/ Documents/ Forms/ PROSE\_ manual\_ 2009. pdf; U.S. District Court for the District of New Jersey, *Procedural Guide for Pro Se Litigants* (2006), http:// www. njd. uscourts. gov/ rules/ proselit- guide. pdf. These manuals are generally available online and in the clerk's office. They explain how to file a complaint, serve process, conduct discovery, and so forth. In addition, public-interest organizations have supplemented these manuals by publishing their own guides for pro se litigants. *See, e.g.,* Columbia Human Rights Law Review, *A Jailhouse Lawyer's Manual* (9th ed.2011), http:// www 3. law. columbia. edu/ hrlr/ jlm/ toc/.

These manuals can be a valuable resource for pro se litigants. They may help litigants assert and defend their rights when no lawyer is available. And they can reduce the administrative burden on court officials who must grapple with inscrutable pro se filings. Because these manuals do not provide case-specific advice and because they are available to all litigants—not just to pro se litigants—they do not impair judicial impartiality. *See* Nina I. VanWormer, Note, [*Help at Your Fingertips: A Twenty–First Century Response to the Pro Se Phenomenon,* 60 Vand. L.Rev. 983, 1018 (2007)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=1277&FindType=Y&ReferencePositionType=S&SerialNum=0333617974&ReferencePosition=1018) (“By providing pro se litigants with easy, understandable, and reliable access to both procedural and substantive law, court systems can uphold their mandate to impartially administer justice to all, while at the same time increasing the efficiency with which they can manage their dockets.”). Without a doubt, these manuals are informative, and inexperienced litigants would do well to seek them out.

[[7]](#Document1zzF72029570914)[[8]](#Document1zzF82029570914) That said, nothing requires district courts to provide such manuals to pro se litigants. *See* [*Pliler,* 542 U.S. at 231, 124 S.Ct. 2441](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=708&FindType=Y&SerialNum=2004610847) (“District judges have no obligation to act as counsel or paralegal to *pro se* litigants.”). To put it another way, pro se litigants do not have a right—constitutional, statutory, or otherwise—to receive how-to legal manuals from judges. *See* [*McKaskle,* 465 U.S. at 183–184, 104 S.Ct. 944](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=708&FindType=Y&SerialNum=1984104104) (“[T]he Constitution [does not] require judges to take over chores for a *pro se* defendant that would normally be attended to by trained counsel as a matter of course.”). And Mala has less reason to complain than the neophyte pro se litigant, having filed more than twenty suits in the past. *See* Appellee's Br. at 21–23. His experiences have made him well acquainted with the courts. *See* [*Davidson v. Flynn,* 32 F.3d 27, 31 (2d Cir.1994)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=506&FindType=Y&ReferencePositionType=S&SerialNum=1994163931&ReferencePosition=31) (refusing to be flexible when interpreting a complaint because the plaintiff was “an extremely litigious inmate who [was] quite familiar with the legal system and with pleading requirements”); [*Cusamano v. Sobek,* 604 F.Supp.2d 416, 445–46 (N.D.N.Y.2009)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=4637&FindType=Y&ReferencePositionType=S&SerialNum=2017977196&ReferencePosition=445). The District Court's failure to provide Mala with a pro se litigation manual was not an abuse of discretion.[FN5](#Document1zzB00552029570914)

[FN5.](#Document1zzF00552029570914) We would reject Mala's claim even if the District Court had an obligation to provide a pro se manual. For one thing, Mala never identified anything that he would have done differently if he had access to such a manual. Moreover, it is unclear why he needed a pro se manual from the District Court of the Virgin Islands. He could have received a manual from other district courts or from public-interest organizations. These manuals are easy to access through an internet search, which Mala could have performed while doing his legal research at the local library. Any error therefore would be harmless.

[[9]](#Document1zzF92029570914) Mala also suggests that the District Court abused its discretion by not considering his status as a prisoner during the early stages of litigation. His problem, however, is that he has not identified anything in particular that the court should have done differently. In fact, the court was solicitous of Mala's needs as an incarcerated litigant—delaying the trial until his release from prison and allowing him to amend the complaint at least once despite his noncompliance with [Rule 15(a)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=1004365&DocName=USFRCPR15&FindType=L). Contrary to Mala's suggestion, the court accommodated his status as a prisoner.

III

[[10]](#Document1zzF102029570914) Mala next argues that the District Court improperly refused to conduct a jury trial. This claim ultimately depends on whether the District Court had diversity jurisdiction. The court concluded that it had only admiralty jurisdiction, and Mala urges us to conclude otherwise. We generally exercise plenary review over jurisdictional questions, but factual findings that “underline a court's determination of diversity jurisdiction ... are subject to the clearly erroneous rule.” [*Frett–Smith v. Vanterpool,* 511 F.3d 396, 399 (3d Cir.2008)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=506&FindType=Y&ReferencePositionType=S&SerialNum=2014559368&ReferencePosition=399) (citation and quotation marks omitted). Here, the District Court found that both Mala and Crown Bay were citizens of the Virgin Islands. These findings were not clearly erroneous, and so we conclude that Mala did not have a jury-trial right.

[[11]](#Document1zzF112029570914)[[12]](#Document1zzF122029570914)[[13]](#Document1zzF132029570914)[[14]](#Document1zzF142029570914) The Seventh Amendment creates a right to civil jury trials in federal court: “In Suits at common law ... the right of trial by jury shall be preserved.” U.S. Const. amend. VII. Admiralty suits are not “Suits at common law,” which means that when a district court has only admiralty jurisdiction under [28 U.S.C. § 1331(1)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=1000546&DocName=28USCAS1331&FindType=L), the plaintiff does not have a jury-trial right. [*Complaint of Consolidation Coal Co.,* 123 F.3d 126, 132 (3d Cir.1997)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=506&FindType=Y&ReferencePositionType=S&SerialNum=1997173453&ReferencePosition=132) (citing [*Waring v. Clarke,* 46 U.S. (5 How.) 441, 458–60, 12 L.Ed. 226 (1847)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=780&FindType=Y&ReferencePositionType=S&SerialNum=1800151011&ReferencePosition=458)). But the saving-to-suitors clause in [§ 1333(1)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=1000546&DocName=28USCAS1333&FindType=L&ReferencePositionType=T&ReferencePosition=SP_f1c50000821b0) preserves state common-law remedies. [*U.S. Express Lines Ltd. v. Higgins,* 281 F.3d 383, 390 (3d Cir.2002)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=506&FindType=Y&ReferencePositionType=S&SerialNum=2002130973&ReferencePosition=390). This clause allows plaintiffs to pursue state claims in admiralty cases as long as the district court also has diversity jurisdiction. [*Id.*](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&FindType=Y&SerialNum=2002130973) In such cases, [§ 1333(1)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=1000546&DocName=28USCAS1333&FindType=L&ReferencePositionType=T&ReferencePosition=SP_f1c50000821b0) preserves whatever jury-trial right exists with respect to the underlying state claims. [*Gorman v. Cerasia,* 2 F.3d 519, 526 (3d Cir.1993)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=506&FindType=Y&ReferencePositionType=S&SerialNum=1993162062&ReferencePosition=526) (noting that the saving-to-suitors clause saves “common law remedies, including the right to a jury trial”); *see also* [*Ross v. Bernhard,* 396 U.S. 531, 537–38, 90 S.Ct. 733, 24 L.Ed.2d 729 (1970)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=708&FindType=Y&SerialNum=1970134179).

[[15]](#Document1zzF152029570914) Mala argues that the District Court had both admiralty and diversity jurisdiction. As a preliminary matter, the court certainly had admiralty jurisdiction. The alleged tort occurred on navigable water and bore a substantial connection to maritime activity. *See* [*Jerome B. Grubart, Inc. v. Great Lakes Dredge & Dock Co.,* 513 U.S. 527, 534, 115 S.Ct. 1043, 130 L.Ed.2d 1024 (1995)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=708&FindType=Y&SerialNum=1995052521) (explaining the two-part test for admiralty jurisdiction under [§ 1333(1)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=1000546&DocName=28USCAS1333&FindType=L&ReferencePositionType=T&ReferencePosition=SP_f1c50000821b0)).

[[16]](#Document1zzF162029570914)[[17]](#Document1zzF172029570914) The grounds for diversity jurisdiction are less certain. District courts have jurisdiction under [28 U.S.C. § 1332](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=1000546&DocName=28USCAS1332&FindType=L) only if the parties are completely diverse. [*Barefoot Architect, Inc. v. Bunge,* 632 F.3d 822, 836 (3d Cir.2011)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=506&FindType=Y&ReferencePositionType=S&SerialNum=2024378405&ReferencePosition=836). This means that no plaintiff may have the same state or territorial citizenship as any defendant. [*Id.*](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&FindType=Y&SerialNum=2024378405) The parties agree that Mala was a citizen of the Virgin Islands. He was imprisoned in Puerto Rico when he filed the suit, but his imprisonment is of no moment. Prisoners presumptively retain their prior citizenship when the gates close behind them. *See* [*Hall v. Curran,* 599 F.3d 70, 72 (1st Cir.2010)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=506&FindType=Y&ReferencePositionType=S&SerialNum=2021610057&ReferencePosition=72); [*Smith v. Cummings,* 445 F.3d 1254, 1260 (10th Cir.2006)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=506&FindType=Y&ReferencePositionType=S&SerialNum=2008984640&ReferencePosition=1260); [*Sullivan v. Freeman,* 944 F.2d 334, 337 (7th Cir.1991)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=350&FindType=Y&ReferencePositionType=S&SerialNum=1991155520&ReferencePosition=337). No one challenges that presumption here.

[[18]](#Document1zzF182029570914) Unfortunately for Mala, the District Court concluded that Crown Bay also was a citizen of the Virgin Islands. Mala rejects this conclusion, stating that the sole defendant was Marina Management Services—a Florida corporation that operated Crown Bay Marina as one of its divisions. For its part, Crown Bay acknowledges that Marina Management Services managed the day-to-day operations at Crown Bay Marina, but Crown Bay argues that the two were separate legal entities. We recognize that the District Court could have done more to clarify the relationship between these two entities.[FN6](#Document1zzB00662029570914) Even so, Mala's claim must fail.

[FN6.](#Document1zzF00662029570914) A few months before trial, the District Court decided to “clarify the pre-trial status of [the] case.” JA 131. Because no one else had been served, the court dismissed all defendants other than “Marine Services Management d/b/a Crown Bay Marina, Inc.” JA 132. The acronym “d/b/a” stands for “doing business as” and typically indicates that the second name (here, “Crown Bay Marina, Inc.”) is the party's trade name, whereas the first name (here, “Marine Services Management,” which seems to be a reference to Marina Management Services) is the party's legal name. *See, e.g.*, [*Tai–Si Kim v. Kearney,* 838 F.Supp.2d 1077, 1090 (D.Nev.2012)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=4637&FindType=Y&ReferencePositionType=S&SerialNum=2026918340&ReferencePosition=1090). This suggests that a Florida corporation was the sole defendant.

On the other hand, during the pre-trial proceedings, Crown Bay claimed to be a Virgin Islands entity, separate from Marina Management Services, *see* JA 122, and later provided testimony to support that claim, *see* Trial 12/6 at 75–76. Also, the District Court concluded that it lacked diversity jurisdiction. *See* JA 96. n.3. This suggests that the sole defendant was a Virgin Islands business and that Marina Management Services was a separate entity.

[[19]](#Document1zzF192029570914) Mala bears the burden of proving that the District Court had diversity jurisdiction. [*McCann v. Newman Irrevocable Trust,* 458 F.3d 281, 286 (3d Cir.2006)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=506&FindType=Y&ReferencePositionType=S&SerialNum=2009736718&ReferencePosition=286) (“The party asserting diversity jurisdiction bears the burden of ... proving diversity of citizenship by a preponderance of the evidence.”). Mala failed to meet that burden because he did not offer evidence that Crown Bay was anything other than a citizen of the Virgin Islands. Mala contends that Crown Bay admitted to being a citizen of Florida, but Crown Bay actually denied Mala's allegation that Crown Bay Marina was a division of “Marine Management Services.” *Compare* JA 55 ¶ 9 (alleging that Crown Bay Marina was a “corporate entity” under “Marine Management Services”), *with* JA 61 ¶ 9 (admitting that “Marine Management Services” is a Florida corporation but denying everything else).[FN7](#Document1zzB00772029570914)

[FN7.](#Document1zzF00772029570914) Mala also points out that during a pretrial hearing, Crown Bay's attorney introduced himself as “Mark Wilczynski on behalf of Marina Management Services, Inc.” JA 144. But this statement does not appear to be an admission that Crown Bay was the same entity as Marina Management Services. Indeed, Crown Bay's attorney might have introduced himself this way simply because the District Court had previously identified the defendant as “Marine Services Management d/b/a Crown Bay Marina, Inc.”

Absent evidence that the parties were diverse, we are left with Mala's allegations. Allegations are insufficient at trial. [*McCann,* 458 F.3d at 286](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=506&FindType=Y&ReferencePositionType=S&SerialNum=2009736718&ReferencePosition=286) (requiring a showing of diversity by a preponderance of the evidence). And they are especially insufficient on appeal, where we review the District Court's underlying factual findings for clear error. [*Frett–Smith,* 511 F.3d at 399.](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=506&FindType=Y&ReferencePositionType=S&SerialNum=2014559368&ReferencePosition=399) Under this standard, we will not reverse unless “we are left with the definite and firm conviction” that Crown Bay was in fact a citizen of Florida. [*Id.*](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&FindType=Y&SerialNum=2014559368) (quotation mark omitted). Mala has not presented any credible evidence that Crown Bay was a citizen of Florida—much less evidence that would leave us with the requisite “firm conviction.”

[[20]](#Document1zzF202029570914)[[21]](#Document1zzF212029570914) Mala tries to cover up this evidentiary weakness by again pointing to his pro se status. He argues that we should construe his complaint liberally to find diversity. But Mala's problem is not a pleading problem. It is an evidentiary problem. Our traditional flexibility toward pro se pleadings does not require us to indulge evidentiary deficiencies. *See* [*Brooks v. Kyler,* 204 F.3d 102, 108 n. 7 (3d Cir.2000)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=506&FindType=Y&ReferencePositionType=S&SerialNum=2000058032&ReferencePosition=108) (indicating that pro se litigants still must present at least affidavits to avoid summary judgment). Accordingly, the parties were not diverse and Mala does not have a jury-trial right.[FN8](#Document1zzB00882029570914)

[FN8.](#Document1zzF00882029570914) At various times, Mala suggested that the District Court also had supplemental jurisdiction. It is unclear whether he was referring to supplemental jurisdiction under [28 U.S.C. § 1367](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=1000546&DocName=28USCAS1367&FindType=L), or whether he was calling diversity jurisdiction by the wrong name. Either way, the argument fails. As noted above, the parties were not diverse. And even if he was referring to supplemental jurisdiction under [§ 1367](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=1000546&DocName=28USCAS1367&FindType=L), such jurisdiction exists only when there is no independent basis for federal jurisdiction. *See* [28 U.S.C. § 1367(a)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=1000546&DocName=28USCAS1367&FindType=L&ReferencePositionType=T&ReferencePosition=SP_8b3b0000958a4) (stating that supplemental jurisdiction is limited to “other claims” over which district courts do not have “original jurisdiction”). Here, the District Court had admiralty jurisdiction over all parts of Mala's claim, as both parties acknowledge. The court did not need supplemental jurisdiction.

[[22]](#Document1zzF222029570914)[[23]](#Document1zzF232029570914) Mala also claims that the District Court erred by rejecting the advisory jury's verdict. [Federal Rule of Civil Procedure 39(c)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=1004365&DocName=USFRCPR39&FindType=L) states that “[i]n an action not triable of right by a jury, the court, on motion or on its own ... may try any issue with an advisory jury.” District courts are free to use advisory juries, even absent the parties' consent. *Compare* [Fed.R.Civ.P. 39(c)(2)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=1004365&DocName=USFRCPR39&FindType=L) (requiring consent for a nonadvisory jury when the party does not have a jury-trial right), *with id.* 39(c)(1) (not requiring consent for an advisory jury); *see also* [*Broadnax v. City of New Haven,* 415 F.3d 265, 271 n. 2 (2d Cir.2005)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=506&FindType=Y&ReferencePositionType=S&SerialNum=2006975552&ReferencePosition=271). District courts are also free to reject their verdicts, as long as doing so is not independently erroneous. [*Wilson v. Prasse,* 463 F.2d 109, 116 (3d Cir.1972)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=350&FindType=Y&ReferencePositionType=S&SerialNum=1972110855&ReferencePosition=116) (“[F]indings by an advisory jury are not binding.”). As a result, the District Court did not err in this case by empanelling an advisory jury or by rejecting its verdict.

IV

Mala's final claim is that the District Court erroneously ruled on a handful of post-trial motions. After losing at trial, Mala asked the court to vacate the judgment under [Federal Rule of Civil Procedure 60(b)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=1004365&DocName=USFRCPR60&FindType=L) and to grant a new trial under Rules 50(b) and 59. These motions contained several overlapping arguments.[FN9](#Document1zzB00992029570914) A magistrate judge recommended that the District Court reject these motions, and the court adopted the magistrate's recommendations. We conclude that the court did not make a mistake in doing so.

[FN9.](#Document1zzF00992029570914) Among other things, Mala claimed that he should have received a jury trial, that the District Court improperly ignored evidence, that the court did not have jurisdiction once Mala had filed a recusal motion, and that Crown Bay had committed fraud on the court.

[[24]](#Document1zzF242029570914) In reviewing a district court's decision to adopt a magistrate's recommendations, “[w]e exercise plenary review over the District Court's legal conclusions and apply a clearly erroneous standard to its findings of fact.” [*O'Donald v. Johns,* 402 F.3d 172, 173 n. 1 (3d Cir.2005)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=506&FindType=Y&ReferencePositionType=S&SerialNum=2006366256&ReferencePosition=173) (per curiam). Mala claims that “the Court stubbornly maintained that its rulings were correct and proper; no real review took place of the facts of the case, especially on the issue of jurisdiction allowing the Plaintiff a jury trial, nor acknowledging that the Court's decision to empanel an advisory jury during the pretrial conference was unclear and confusing to the Plaintiff at best.” Appellant's Br. at 23.

Mala's claim has little substance. The magistrate prepared three Reports and Recommendations that discussed Mala's arguments and urged the District Court to deny his motions. Judge Sanchez explained his reasons for doing so in an eight-page opinion. Both judges were meticulous and thorough. Mala has given us no reason to accept his general argument that “no real review took place.”

Beyond this general argument, Mala alleges two specific shortcomings. First, he bemoans the District Court's refusal to conduct a jury trial. As noted above, this was not an error. Although the court could have been clearer about Crown Bay's citizenship, Mala nevertheless failed to meet his burden of proving diversity. Second, Mala asserts that he failed to understand that the jury's findings would be nonbinding. This was not the District Court's fault. The court plainly stated that the jury would be advisory. *See* JA 147 (“[CROWN BAY'S ATTORNEY]: And is that in fact the Court's position that there will be an advisory jury? THE COURT: Yes.”). We therefore reject Mala's final claim.

\* \* \*

Mala is a serial pro se litigant. In this case, he convinced a jury of his peers to award him over $400,000 in damages. Unfortunately for Mala, the jury was advisory, and the District Court rejected the verdict. We conclude that the court did not err by using an advisory jury or by rejecting its verdict. Nor did the court err by adopting the magistrate's recommendations or by failing to provide a pro se manual. For these reasons we will affirm the District Court's judgment.

***Case 2.2***

N.D.Cal.,2011.

Gucci America, Inc. v. Wang Huoqing

Not Reported in F.Supp.2d, 2011 WL 31191 (N.D.Cal.)

Only the Westlaw citation is currently available.

United States District Court,

N.D. California.

**GUCCI AMERICA, INC., et al., Plaintiffs,**

**v.**

**WANG HUOQING, Defendant.**

No. C–09–05969 JCS.

Jan. 3, 2011.

[Anne Elizabeth Kearns](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=PROFILER-WLD&DocName=0342177201&FindType=h), [Kenneth E. Keller](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=PROFILER-WLD&DocName=0136860801&FindType=h), Krieg Keller Sloan Reilley & Roman LLP, San Francisco, CA, [Stephen Michael Gaffigan](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=PROFILER-WLD&DocName=0154521301&FindType=h), Stephen M. Gaffigan, P.A., Ft. Lauderdale, FL, for Plaintiffs.

**[AMENDED] REPORT AND RECOMMENDATION RE MOTION FOR FINAL DEFAULT JUDGMENT AGAINST DEFENDANT [Docket No. 28]**

[JOSEPH C. SPERO](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=PROFILER-WLD&DocName=0122876501&FindType=h), United States Magistrate Judge.

**I. INTRODUCTION**[FN1](#Document1zzB00112024302036)

[FN1.](#Document1zzF00112024302036) This Report and Recommendation is identical to Docket No. 46 except for the filing date at the end of the order, which has been corrected to reflect that the filing date of the Report and Recommendation is January 3, 2011 rather than January 3, 2010.

In this trademark infringement action, Plaintiffs Gucci America, Inc. (“Gucci”), Bottega Veneta International, S.A.R.L. (“Bottega”), and Balenciaga S.A. (“Balenciaga”) bring a Motion for Final Default Judgment Against Defendant (“Motion” or “Default Judgment Motion”) in which they seek default judgment, an award of statutory damages, costs of the suit and a permanent injunction against Defendant Wang Huoqing. A hearing on the Motion was held on October 8, 2010. For the reasons stated below, it is recommended that the Motion be GRANTED.

**II. BACKGROUND**

Plaintiff Gucci is a New York corporation with its principal place of business located at 685 Fifth Avenue, New York, New York 10022. First Amended Complaint (First Am. Compl.) ¶ 3; *see also* Declaration of Stacy Feldman in Support of Plaintiff's Motion for Final Default Judgment Against Defendant (“Feldman Decl.”) ¶ 2. Gucci manufactures and distributes high quality luxury goods, including footwear, belts, sunglasses, handbags, wallets, hats, jewelry, scarves, ties, and umbrellas, which are sold throughout the United States and worldwide. First Am. Compl. ¶ 3; Feldman Decl. ¶ 3. Gucci operates boutiques within this judicial district. First Am. Compl. ¶ 3. Gucci owns twenty-one federally registered trademarks consisting of the word “Gucci” and other symbols, which are used in connection with the manufacture and distribution of its products (the “Gucci Marks”). First Am. Compl. ¶ 13; Feldman Decl. ¶ 4; Request for Judicial Notice in Support of Plaintiffs' Motion for Final Default Judgment (“RJN”), Ex. A (“Gucci Trademark Registrations”).[FN2](#Document1zzB00222024302036)

[FN2.](#Document1zzF00222024302036) Plaintiffs request the Court take judicial notice of their United States trademark registrations. Under [Federal Rule of Evidence 201](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=1004365&DocName=USFRER201&FindType=L), “[a] judicially noticed fact must be one not subject to reasonable dispute in that it is either (1) generally known within the territorial jurisdiction of the trial court or (2) capable of accurate and ready determination by resort to sources whose accuracy cannot reasonably be questioned.” The Court finds that Plaintiff's trademark registrations meet the requirements of [Rule 201](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=1004365&DocName=USFRER201&FindType=L). Accordingly, the Court recommends that Plaintiffs' request for judicial notice be granted.

Plaintiff Bottega is a foreign corporation organized under the laws of Luxembourg with its principal place of business located at 12 Rue Leon Thyes, Luxembourg L–26–36. First Am. Compl. ¶ 4. Bottega manufactures and distributes high quality luxury goods including, but not limited to, handbags in the United States and worldwide under a federally registered trademark (the “Bottega Mark”). First Am. Compl. ¶ 15; Feldman Decl. ¶ 5; RJN, Ex. B (“Bottega Trademark Registrations”). Bottega operates boutiques within this judicial district. First Am. Compl. ¶ 4.

Plaintiff Balenciaga is a foreign corporation organized under the laws of France with its principal place of business located at 15 rue Cassette, Paris, France 75006. First Am. Compl. ¶ 5. Balenciaga manufactures and distributes high quality luxury goods including, but not limited to, handbags under three federally registered trademarks (the “Balenciaga Marks”). First Am. Compl. ¶ 17; Feldman Decl. ¶ 6; RJN, Ex. C (“Balenciaga Trademark Registrations”). Balenciaga operates boutiques within this judicial district. First Am. Compl. ¶ 5.

Plaintiffs filed the Complaint in this action on December 21, 2009, naming Wang Huoqing (also known as Hubert Wang) [FN3](#Document1zzB00332024302036) and Does 1–10 as Defendants. Plaintiffs filed a First Amended Complaint on January 29, 2010. In the First Amended Complaint, Plaintiffs allege that the Defendant is an individual who resides in the People's Republic of China, and has registered, established or purchased and currently maintains the following twenty-four domain names: b2do.com, bag2do.cn, bag2do.com, bagdo.com, bagdo.net, bagdo2.com, bagdo2.net, bagpo.com, bagxo.com, bagxp.com, ebagdo.com, ibagdo.com, ibagto.com, my4shop.com, my4shop.net, my5shop.com, my5shop.net, myashop.cn, myashop.com, myashop.net, myhshop.com, mynshop.com, myokshop.com, and myrshop.com. First Am. Compl. ¶¶ 6, 11 & Schedule A (List of Domain Name Entities). In the First Amended Complaint, Plaintiffs allege that Defendant's websites offer for sale products incorporating Gucci, Bottega, and Balenciaga Marks that are of a substantially different quality than Plaintiffs' genuine goods. First Am. Compl. ¶¶ 9, 29. Plaintiffs further allege that Defendant sells the counterfeit goods with the knowledge that such goods will be mistaken for the genuine products offered for sale by Plaintiffs and that the Defendant's actions will result in the confusion of the relevant trade and consumers, who will believe Defendant's counterfeit goods are the genuine goods originating from, associated with, and approved by Plaintiffs. *Id.* Plaintiffs allege Defendant is engaging in wrongful counterfeiting and infringing activities knowingly and intentionally or with reckless disregard or willful blindness to Plaintiffs' rights for the purpose of trading on the goodwill and reputation of Plaintiffs and that these infringing activities are likely to cause and actually are causing confusion, mistake, and deception among members of the trade and general consuming public as to the origin and quality of the Defendant's Counterfeit Goods bearing the Plaintiffs' Marks. *Id.* ¶¶ 33, 34. Plaintiffs further allege Defendant conducts business throughout the United States and this Judicial District through the operation of the domain names listed above. *Id.* ¶¶ 6, 9. Finally, Plaintiffs allege they are suffering irreparable injury and damage as a result of Defendant's unauthorized and wrongful use of the Plaintiffs' respective marks. *Id.* ¶ 36.

[FN3.](#Document1zzF00332024302036) Plaintiffs stipulated at the October 8 hearing to removing the alias Hubert Wang from the judgment. *See also* Plaintiffs' Supplemental Memorandum of Law in Support of Plaintiffs' Motion for Entry of Final Default Judgment p. 3 n. 2.

Plaintiffs allege they have expended substantial time, money and other resources developing, advertising, and otherwise promoting their respective marks. *Id.* ¶ 21. Plaintiffs allege they have never assigned or licensed their respective marks to the Defendant in this matter nor have the Plaintiffs' marks ever been abandoned. *Id.* ¶ 19, 20. Plaintiffs further allege Defendant has had full knowledge of Plaintiffs' respective ownership of the Plaintiffs' Marks including their respective, exclusive rights to use and license such intellectual property and the goodwill associated therewith and that Defendant does not have, nor has ever had, the right or authority to use Plaintiffs' Marks for any purpose. *Id.* ¶ 27; Feldman Decl. ¶ 10. On the basis of these allegations, Plaintiffs assert two claims: (1) trademark counterfeiting and infringement under [15 U.S.C. § 1114](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=1000546&DocName=15USCAS1114&FindType=L), and (2) false designation of origin under [15 U.S.C. § 1125(a)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=1000546&DocName=15USCAS1125&FindType=L&ReferencePositionType=T&ReferencePosition=SP_8b3b0000958a4).

Plaintiffs filed an Application for Order Authorizing Alternate Service of Process on Defendants Pursuant to [Federal Rule of Civil Procedure 4(f)(3)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=1004365&DocName=USFRCPR4&FindType=L) on March 9, 2010. (“App. for Alt. Serv.”). In their application, Plaintiffs requested an order allowing for service of process via electronic mail pursuant to [Rule 4(f)(3)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=1004365&DocName=USFRCPR4&FindType=L) because they were unable to locate Defendant or serve him in any other manner. Plaintiffs claimed service of process via electronic mail was appropriate because Defendant: 1) operates anonymously via the Internet using false physical address information in order to conceal his location and avoid liability for his unlawful conduct, and 2) relies solely on electronic communications to operate his business. App. for Alt. Serv. at 2.

Filed concurrently with the Application for Alternate Service was the declaration of Stephen M. Gaffigan. *See* Declaration of Stephen M. Gaffigan in Support of Plaintiffs' *Ex Parte* Application For Order Authorizing Alternate Service of Process on Defendant Pursuant To [Federal Rule Of Civil Procedure 4(f)(3)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=1004365&DocName=USFRCPR4&FindType=L) (“Gaffigan Decl. In Support of App. For Order Authorizing Alt. Service”). In his declaration, Gaffigan stated that he “conducted Whois searches regarding the Subject Domain Names through www.whois.domaintools.com in order to identify the contact data the Defendant provided to his registrars.” *Id.* ¶ 3. Gaffigan included a number of tables displaying for each domain name the Whois contact information and the Whois email address associated with the site. *Id.* ¶¶ 3, 4. In the declaration and tables, Gaffigan states that the following sites are registered to Defendant Wang Huoqing: b2do.com, bagdo2.net, bagpo.com, ebagdo.com, ibagdo.com, ibagto.com, my4shop.net, my5shop.net, myhshop.com, mynshop.com, myokshop.com, and myrshop.com. *Id.* ¶ 3 & Ex. 1. The declaration and tables further indicate that the following sites are registered to a “Dongshi (Shi Dong)”: bag2do.com, bagdo.com, bagdo.net, bagdo2.com, bagxo.com, bagxp.com, my4shop.com, my5shop.com, and myashop.com. and myashop.net. *Id.* Finally, the site bag2do.cn is registered to an organization called “chenxi” and is associated with the Registrant Name “yangtao.” *Id.* Gaffigan states that “[a]nalysis of the information provided by the Defendant in connection with the Whois registrations for each of the Subject Domain Names, as well as provided by the Defendant on his Internet websites operating thereunder demonstrates the connection between each of the Subject Domain Names and Defendant's control and operation thereof.” *Id.* ¶ 5.[FN4](#Document1zzB00442024302036)

[FN4.](#Document1zzF00442024302036) At the October 8 hearing, the Court asked Plaintiffs to submit a declaration that states the Defendant's connection to all the websites for which the Plaintiffs seek judgment. On November 8, 2010, Plaintiffs submitted: 1) the Plaintiffs' Supplemental Memorandum of Law in Support of Plaintiffs' Motion for Entry of Final Default Judgment, 2) the Supplemental Declaration of Stacy Feldman in Support of Plaintiffs' Motion for Final Default Judgment Against Defendant Wang Huoqing, and 3) the Supplemental Declaration of Stephen M. Gaffigan in Support of Plaintiffs' Motion for Final Default Judgment Against Defendant Wang Huoqing. These declarations establish a connection between the Defendant and all the websites named in the Motion for Default Judgment.

The Court granted Plaintiffs' application on March 11, 2010. The Summons, Complaint, and First Amended Complaint were served on Defendant via email on March 13, 2010, pursuant to the Court's order authorizing alternate service of process. Declaration of Anne E. Kearns in Support of Plaintiffs' Motion for Final Default Judgment Against Defendant (“Kearns Decl.”) ¶ 2 & Ex. 2 (copies of emails sent showing proof of service). Defendant failed to file a responsive pleading or otherwise appear in this action. Kearns Decl. ¶ 5. The clerk entered default pursuant to [Rule 55(a) of the Federal Rules of Civil Procedure](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=1004365&DocName=USFRCPR55&FindType=L) on April 16, 2010.

Plaintiffs now bring a motion for default judgment asking for an award of statutory damages, costs, prejudgment interest and injunctive relief. In the Motion, Plaintiffs seek default judgment as to twenty-two federally registered trademarks (eighteen marks owned by Gucci, one mark owned by Bottega and three marks owned by Balenciaga) rather than the twenty-five trademarks listed in their First Amended Complaint.[FN5](#Document1zzB00552024302036)

[FN5.](#Document1zzF00552024302036) Plaintiffs stipulated at the October 8 hearing that they only intend to seek judgment as to the twenty-two trademarks listed in their RJN and in the Motion.

In the Motion, Plaintiffs assert that the twenty-four websites listed in the First Amended Complaint, as well as four additional websites—do2bag.com, do2bag.net, myamart.com, and myamart.net—are used by the Defendant, Wang Huoqing, to operate interactive commercial websites that advertise and sell counterfeit, infringing products bearing the Plaintiffs' trademarks. Feldman Decl. ¶¶ 13–15; Gaffigan Decl. In Support of App. For Order Authorizing Alt. Service ¶¶ 3–5 & Exs. 2–25 (showing printouts from the websites).

In support of the Default Judgment Motion, Plaintiffs filed the declaration of investigator Robert Holmes (“Holmes”) of IPCybercrime.com, LLC, who was retained to investigate the sale of counterfeit products by Defendant. Holmes Decl. In Support of FDJ ¶ 3. Holmes states that he accessed the Internet website operating under the domain name bag2do.cn and completed a pretextual purchase of a Gucci branded wallet from that website. Holmes Decl. In Support of App. For Order Authorizing Alt. Service ¶¶ 11, 12 and Exs. 1, 2. Holmes requested that the wallet from bag2do.cn be sent to his address in San Jose, California and he received a confirmation of his purchase via email. Holmes Decl. In Support of FDJ ¶ 5. Holmes states that he received a Gucci branded wallet from the bag2do.cn website and submitted the wallet to Plaintiffs' representative, Stacy Feldman, who is Gucci's Intellectual Property Coordinator. *Id.* ¶ 6, Ex. 1 (photographs of the wallet and shipping label from Holmes' online purchase). Feldman states that she examined the wallet and determined it to be a non-genuine Gucci branded product. Feldman Decl. In Support of FDJ ¶ 13.

According to Robert Holmes, on April 12, 2010, subsequent to his purchase of the wallet through the bag2do.cn website, he received an email advertisement from the email address “julia4868@gmail.com.” Holmes Decl. In Support of FDJ ¶ 7 & Ex. 2. The email stated that www.bag2do.cn was “closing all of [its] websites” and opening two new websites, do2bag.com and do2bag.net, where one could find “the products on these two websites as usual.” *Id.* Holmes states he provided a copy of this email to Plaintiffs' counsel, Stephen M. Gaffigan. *Id.* In a separate declaration, Gaffigan states that he subsequently determined the Internet websites operating under the domain names do2bag.com and do2bag.net as well as two additional websites, myamart.com and myamart.net, are operated by the Defendant and are used by the Defendant to offer for sale Gucci, Bottega and Balenciaga branded products. Gaffigan Decl. In Support of FDJ ¶ 4 and Comp. Exs. 1, 2. Gaffigan explains in his declaration the four new websites each use the same Google Analytics tracking code (UA–15639021) and are all located in the IP range 174.133.40.22X (where X is a variable number). Gaffigan Decl. In Support of FDJ ¶ 4. Plaintiffs claim that where multiple sites employ a Google tracking code with the same base number, it is almost always the case that those domains are all tracked from a single account, and thus, have a common operator. *Id.* at 3 n. 2. Plaintiffs claim that where only a very small number of sites are hosted on a server, or in cases where sites are hosted on servers with sequential numbers, there is a strong likelihood that these sites are connected, as the hosting servers are either privately owned or exclusively leased servers. *Id.* at 3, n. 3 & Exhibit 1 (printouts showing the common Google Analytics tracking codes and common IP addresses for do2bag.com, do2bag.net, myamart.com, and myamart.net).

Plaintiffs also offer a declaration by Ms. Feldman addressing the counterfeit nature of the products offered for sale by the Defendant on the Subject Domain Names. Feldman Decl. in Support of FDJ ¶¶ 13–15. Ms. Feldman reviewed and visually inspected printouts of the items bearing the Gucci, Bottega and Balenciaga Marks offered for sale on the Defendant's Internet websites and determined the products offered for sale to be non-genuine Gucci, Bottega and Balenciaga products. Feldman Decl. ¶ 14; Gaffigan Decl. In Support of FDJ, Ex. 2 (print-outs reviewed by Feldman).

Finally, in support of the Default Judgment Motion, Plaintiffs provide a declaration by another IPCybercrime.com investigator, Jason Holmes, stating that he conducted a search of the Department of Defense Manpower Data Center and determined that Wang Huoqing is not on active military duty. Declaration of Jason Holmes in Support of Plaintiffs' Motion for Final Default Judgment Against Defendant ¶ 4 & . Ex. 1.

In the Motion, Plaintiffs request the following relief: 1) an injunction prohibiting Wang Huoqing [FN6](#Document1zzB00662024302036) from infringing Plaintiffs' trademarks; 2) an order transferring the twenty-eight domain names discussed above to Plaintiffs' control or cancelling them; 3) an award of statutory damages against Defendant in the total amount of $606,000.00, that is, $594,000.00 to be awarded to Gucci, $3,000.00 to be awarded to Bottega, and $9,000.00 to be awarded to Balenciaga; 4) $700.00 for costs of the suit, to be divided equally among the three Plaintiffs; and 5) prejudgment interest from the date of filing of the action. *See* Proposed Judgment and Permanent Injunction.

[FN6.](#Document1zzF00662024302036) Plaintiffs originally requested the injunction also include the alias Hubert Wang, but stipulated to dropping the alias from the order. Plaintiffs' Supplemental Memorandum of Law in Support of Plaintiffs' Motion for Entry of Final Default Judgment p. 3 n. 2.

At the October 8 hearing, the Court asked Plaintiffs to provide a declaration that establishes the basis upon which Plaintiffs believe all the sites listed in their Motion for Default Judgment are owned or controlled by the Defendant. In response, Plaintiffs submitted the Plaintiffs' Supplemental Memorandum of Law in Support of Plaintiffs Motion for Entry of Final Default Judgment, the Supplemental Declaration of Stacy Feldman in Support of Plaintiffs' Motion for Final Default Judgment Against Defendant Wang Huoqing, and the Supplemental Declaration of Stephen M. Gaffigan in Support of Plaintiffs' Motion for Final Default Judgment Against Defendant Wang Huoqing. *See* Docket No. 44 In these declarations Plaintiffs have identified specific instances of Defendant's infringement in each website for which they seek default judgment and have established the basis for their belief that the Defendant owns or controls all twenty-eight websites at issue in this case.

**III. ANALYSIS**

**A. Personal Jurisdiction**

As a preliminary matter, this Court has an affirmative obligation to determine whether or not it has personal jurisdiction over Defendant Wang Huoqing, who is alleged to reside and/or conduct substantial business in the People's Republic of China. *See* [*In re Tuli,* 172 F.3d 707, 712 (9th Cir.1999)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=506&FindType=Y&ReferencePositionType=S&SerialNum=1999095737&ReferencePosition=712) (holding that the court properly raised sua sponte the question of whether there was personal jurisdiction over Iraq before determining whether default judgment should be entered). In *Tuli,* the Ninth Circuit explained that where a plaintiff seeks default judgement, the court may not assume the existence of personal jurisdiction, even though ordinarily personal jurisdiction is a defense that may be waived, because a judgment in the absence of personal jurisdiction is void. *Id.* Where there are questions about the existence of personal jurisdiction in a default situation, the court should give the plaintiff the opportunity to establish the existence of personal jurisdiction. *Id.*

Personal jurisdiction in this District is proper provided it is consistent with the California long-arm statute and if it comports with due process of law. [*Boschetto v. Hansing,* 539 F.3d 1011, 1021–22 (9th Cir.2008)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=506&FindType=Y&ReferencePositionType=S&SerialNum=2016791313&ReferencePosition=1021). Under California's long-arm statute, [Cal.Code Civ. Proc. § 410.10](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=1000201&DocName=CACPS410.10&FindType=L), federal courts in California may exercise jurisdiction to the extent permitted by the Due Process Clause of the Constitution. *Id.; see also* [*Harris Rutsky & Co. Ins. Servs., Inc. v. Bell & Clements, Ltd.,* 328 F.3d 1122, 1129 (9th Cir.2003)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=506&FindType=Y&ReferencePositionType=S&SerialNum=2003342828&ReferencePosition=1129) (citing [Cal.Code Civ. Proc. § 410.10](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=1000201&DocName=CACPS410.10&FindType=L)). The Due Process Clause allows federal courts to exercise jurisdiction where either: 1) the defendant has had continuous and systematic contacts with the state sufficient to subject him or her to the general jurisdiction of the court; or 2) the defendant has had sufficient minimum contacts with the forum to subject him or her to the specific jurisdiction of the court. [*Panavision v. Toeppen,* 141 F.3d 1316, 1320 (9th Cir.1998)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=506&FindType=Y&ReferencePositionType=S&SerialNum=1998089734&ReferencePosition=1320). The courts apply a three-part test to determine whether specific jurisdiction exists:

(1) The nonresident defendant must do some act or consummate some transaction with the forum or perform some act by which he purposefully avails himself of the privilege of conducting activities in the forum, thereby invoking the benefits and protections of its laws; (2) the claim must be one which arises out of or results from the defendant's forum-related activities; and (3) exercise of jurisdiction must be reasonable.

*Id.* (quoting [*Omeluk v. Langsten Slip & Batbyggeri A/S,* 52 F.3d 267, 270 (9th Cir.1995)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=506&FindType=Y&ReferencePositionType=S&SerialNum=1995088735&ReferencePosition=270) (quotation marks omitted)). As discussed below, the factual allegations and evidence support a finding of specific jurisdiction over the Defendant in this case, Wang Huoqing.[FN7](#Document1zzB00772024302036)

[FN7.](#Document1zzF00772024302036) Because Plaintiffs have not pointed to facts indicating that Defendant's contacts with California are continuous and systematic, and because this Court concludes that specific jurisdiction exists, the Court need not reach the question of whether it has general jurisdiction over the Defendant. The Court notes, however, that the standard for establishing general jurisdiction is high, requiring that a defendant's contacts approximate physical presence. [*Bancroft & Masters v. Augusta Nat'l Inc.,* 223 F.3d 1082, 1086 (9th Cir.2000)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=506&FindType=Y&ReferencePositionType=S&SerialNum=2000479809&ReferencePosition=1086). Based on the facts alleged in the First Amended Complaint, it does not appear that this standard is met.

**1. Purposeful Availment**

In order to satisfy the first prong of the test for specific jurisdiction, a defendant must have either purposefully availed itself of the privilege of conducting business activities within the forum or purposefully directed activities toward the forum. *Id.* Purposeful availment typically consists of action taking place in the forum that invokes the benefits and protections of the laws of the forum, such as executing or performing a contract within the forum. [*Schwarzenegger v. Fred Martin Motor Co.,* 374 F.3d 797, 802 (9th Cir.2004)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=506&FindType=Y&ReferencePositionType=S&SerialNum=2004646045&ReferencePosition=802). To show purposeful availment, a plaintiff must show that the defendant “engage[d] in some form of affirmative conduct allowing or promoting the transaction of business within the forum state.” [*Gray & Co. v. Firstenberg Mach. Co.,* 913 F.2d 758, 760 (9th Cir.1990)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=350&FindType=Y&ReferencePositionType=S&SerialNum=1990129909&ReferencePosition=760). A showing that a defendant purposefully directed his conduct toward a forum state, by contrast, usually consists of evidence of the defendant's actions outside the forum state that are directed at the forum, such as the distribution in the forum state of goods originating elsewhere. [*Schwarzenegger,* 374 F.3d at 803](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=506&FindType=Y&ReferencePositionType=S&SerialNum=2004646045&ReferencePosition=803) (*citing* [*Keeton v. Hustler Magazine, Inc.,* 465 U.S. 770, 104 S.Ct. 1473, 79 L.Ed.2d 790 (1984)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=708&FindType=Y&SerialNum=1984114017) (finding purposeful direction where defendant published magazines in Ohio and circulated them in the forum state, New Hampshire)). Purposeful direction is determined using an “effects test.” *Id.* A defendant “purposefully directs” activity at a forum state when he: (a) commits an intentional act, that is (b) expressly aimed at the forum state and that (c) causes harm that he knows is likely to be suffered in that jurisdiction. *Id.*

“In the internet context, the Ninth Circuit utilizes a sliding scale analysis under which ‘passive’ websites do not create sufficient contacts to establish purposeful availment, whereas interactive websites may create sufficient contacts, depending on how interactive the website is.” [*Jeske v. Fenmore,* 2008 WL 5101808, at \*4 (C.D.Cal. Dec.1, 2008)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=0000999&FindType=Y&SerialNum=2017590998) (citing [*Boschetto v. Hansing,* 539 F.3d 1011, 1018 (9th Cir.2008)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=506&FindType=Y&ReferencePositionType=S&SerialNum=2016791313&ReferencePosition=1018)). “[T]he likelihood that personal jurisdiction can be constitutionally exercised is directly proportionate to the nature and quality of the commercial activity that an entity conducts over the Internet.” [*Cybersell, Inc. v. Cybersell, Inc.,* 130 F.3d 414, 419 (9th Cir.1997)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=506&FindType=Y&ReferencePositionType=S&SerialNum=1997235568&ReferencePosition=419) (quoting [*Zippo Mfg. Co. v. Zippo Dot Com, Inc.,* 952 F.Supp. 1119, 1124 (W.D.Pa.1997)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=345&FindType=Y&ReferencePositionType=S&SerialNum=1997044255&ReferencePosition=1124)). Personal jurisdiction is appropriate where an entity is conducting business over the internet and has offered for sale and sold its products to forum residents. *See* [*Stomp, Inc. v. NeatO, LLC,* 61 F.Supp.2d 1074, 1077–78 (C.D.Cal.1999)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=4637&FindType=Y&ReferencePositionType=S&SerialNum=1999196978&ReferencePosition=1077) (holding that the exercise of personal jurisdiction was appropriate based on the “highly commercial” nature of defendant's website); *see also* [*Allstar Marketing Group, LLC, v. Your Store Online, LLC,* 666 F.Supp.2d 1109, 1122 (C.D.Cal.2009)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=4637&FindType=Y&ReferencePositionType=S&SerialNum=2019946692&ReferencePosition=1122) (holding that the exercise of personal jurisdiction was appropriate because “by operating a highly commercial website through which regular sales of allegedly infringing products are made to customers in [the forum state], [the defendant has] purposefully availed [itself] of the benefits of doing business in this district”).

Here, the allegations and evidence presented by Plaintiffs in support of the Motion are sufficient to show purposeful availment on the part of Defendant Wang Huoqing. Plaintiffs have alleged that Defendant operates “fully interactive Internet websites operating under the Subject Domain Names” and have presented evidence in the form of copies of web pages showing that the websites are, in fact, interactive. First Am. Compl. ¶ 1; Gaffigan Decl. In Support of FDJ & Exs. 1–3 (printouts from some of the websites displaying counterfeit merchandise for sale). Additionally, Plaintiffs allege Defendant is conducting counterfeiting and infringing activities within this Judicial District and has advertised and sold his counterfeit goods in the State of California. First Am. Compl. ¶¶ 1, 3–6, 9, 31. Plaintiffs have also presented evidence of one actual sale within this district, made by investigator Robert Holmes from the website bag2do.cn. Holmes Decl. In Support of FDJ ¶¶ 5–6. Finally, Plaintiffs have presented evidence that Defendant Wang Huoqing, own or controls the twenty-eight websites listed in the Motion for Default Judgment. Supplemental Declaration of Stacy Feldman in Support of Plaintiffs' Motion for Final Default Judgment Against Defendant Wang Huoqing (“Supp. Feldman Decl.”) pp. 2–18; Gaffigan Decl. in Support of App. For Order Authorizing Alt. Service ¶ 3; *See Gray & Co.,* 913 F.2d at 770. Such commercial activity in the forum amounts to purposeful availment of the privilege of conducting activities within the forum, thus invoking the benefits and protections of its laws.   [*Schwarzenegger,* 374 F.3d at 802](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=506&FindType=Y&ReferencePositionType=S&SerialNum=2004646045&ReferencePosition=802) (quoting [*Hanson v. Denckla,* 357 U.S. 235, 253, 78 S.Ct. 1228, 2 L.Ed.2d 1283 (1958)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=708&FindType=Y&SerialNum=1958121475)). Accordingly, the Court concludes that Defendant's contacts with California are sufficient to show purposeful availment.

**2. Claims Arise out of Forum Related Activities**

The second prong of the test for specific jurisdiction requires that the claim be one that arises out of or relates to the defendant's activities in the forum. [*Panavision,* 141 F.3d at 1320](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=506&FindType=Y&ReferencePositionType=S&SerialNum=1998089734&ReferencePosition=1320). This requires a showing of “but for” causation. [*Id.* at 1322](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&FindType=Y&SerialNum=1998089734) (“We must determine if the plaintiff Panavision would not have been injured ‘but for’ the defendant Toeppen's conduct directed toward Panavision in California.”). Here, Defendant's contacts with the forum are his sales of infringing and counterfeit products to customers in this state. Therefore, the Court finds that “but for” Defendant's infringing activity, Plaintiffs would not have been injured. Accordingly, the Court concludes that the second requirement for specific jurisdiction is satisfied.

**3. Reasonableness of Exercise of Jurisdiction**

The third prong of the test for specific jurisdiction provides that the exercise of jurisdiction must comport with fair play and substantial justice. *Id.* at 1320. To determine whether the exercise of jurisdiction over a non-resident defendant comports with fair play and substantial justice, a court must consider seven factors:

(1) the extent of the defendant's purposeful interjection into the forum state's affairs; (2) the burden on the defendant of defending in the forum (3) the extent of conflict with the sovereignty of the defendant's state; (4) the forum state's interest in adjudicating the dispute; (5) the most efficient judicial resolution of the controversy; (6) the importance of the forum to the plaintiff's interest in convenient and effective relief; and (7) the existence of an alternative forum.

[*Core–Vent Corp. v. Nobel Indus.,* 11 F.3d 1482, 1487–88 (9th Cir.1993)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=506&FindType=Y&ReferencePositionType=S&SerialNum=1993235643&ReferencePosition=1487). There is a presumption that the exercise of jurisdiction is reasonable when the first two prongs of the specific jurisdiction test have been met; at that point, the burden shifts to the defendant to establish unreasonableness. *See Schwarzenegger,* 374, F.3d at 802 (stating that after the plaintiff meets his burden to satisfy the first two prongs, the burden then shifts to the defendant to present a “compelling case” that jurisdiction is unreasonable). The reasonableness factors enumerated in *Core–Vent* weigh in favor of finding that the exercise of jurisdiction comports with fair play and substantial justice in this case.

First, the forum state has a strong interest in adjudicating the dispute. Although none of the parties is a California citizen, Plaintiffs allege that Defendant sells the infringing products to California citizens, that Plaintiffs operate boutiques in this forum, and that they have suffered damages as a result of Defendant's infringing activities in this forum. *See* [*Nissan Motor Co. Ltd. v. Nissan Computer Corp.,* 89 F.Supp.2d 1154, 1161 (C.D.Cal.2000)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=4637&FindType=Y&ReferencePositionType=S&SerialNum=2000084104&ReferencePosition=1161) ( “California has a strong interest in protecting its citizens from trademark infringement and consumer confusion”). This factor thus favors a finding that the exercise of jurisdiction is reasonable.

Second, the extent of Defendant's purposeful interjection into the forum state's affairs is unknown as Plaintiffs have not alleged or presented evidence of the amount of infringing products Defendant sells to California customers. Therefore this factor is neutral.

Third, the burden on the Defendant, as a resident of China, to litigate in California is significant, but the inconvenience is not so great as to deprive him of due process, particularly given Defendant's purposeful availment of the benefits of conducting business within the forum. *See* [*Panavision,* 141 F.3d at 1323](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=506&FindType=Y&ReferencePositionType=S&SerialNum=1998089734&ReferencePosition=1323) (“A defendant's burden in litigating in the forum is a factor in the assessment of reasonableness, but unless the ‘inconvenience is so great as to constitute a deprivation of due process, it will not overcome clear justifications for the exercise of jurisdiction.’ ”).

Fourth, consideration of the most efficient judicial resolution is “no longer weighed heavily given the modern advances in communication and transportation,” therefore this factor is also neutral because there may be witnesses and evidence located in both California and China. *Id.*

Fifth, with respect to the existence of an alternative forum, Defendant has not come forward to request an alternative forum and the Court is unaware of whether there is such a forum. This factor is neutral.

Sixth, with respect to the importance of the forum to the plaintiff's interest in convenient and effective relief, courts generally give little weight to a plaintiff's inconvenience. *See Id.* However, if a forum is available in China, it would be costly and inconvenient for Plaintiffs to litigate in China, therefore this factor weighs slightly in Plaintiffs' favor.

Finally, regarding the extent to which the exercise of jurisdiction would conflict with the sovereignty of Defendant's state, “[l]itigation against an alien defendant creates a higher jurisdictional barrier than litigation against a citizen from a sister state because important sovereignty concerns exist.”   [*Harris Rutsky & Co. Ins. Servs., Inc. v. Bell & Clements Ltd.,* 328 F.3d 1122, 1133 (9th Cir.2003)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=506&FindType=Y&ReferencePositionType=S&SerialNum=2003342828&ReferencePosition=1133) (quoting [*Sinatra v. Nat'l Enquirer,* 854 F.2d 1191, 1199 (9th Cir.1988)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=350&FindType=Y&ReferencePositionType=S&SerialNum=1988107798&ReferencePosition=1199)). While this factor weighs in favor of the Defendant, it is not sufficient to defeat the Court's exercise of personal jurisdiction where the other *Core–Vent* factors support a finding of personal jurisdiction.

Balancing these seven factors, the Court concludes that the exercise of jurisdiction over the Defendant is reasonable.

**B. Legal Standard Regarding Entry of Default Judgment**

Pursuant to [Rule 55(b)(2) of the Federal Rules of Civil Procedure](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=1004365&DocName=USFRCPR55&FindType=L), the court may enter a default judgment where the clerk, under [Rule 55(a)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=1004365&DocName=USFRCPR55&FindType=L), has previously entered the party's default based upon failure to plead or otherwise defend the action. [Fed.R.Civ.P. 55(b)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=1004365&DocName=USFRCPR55&FindType=L). Once a party's default has been entered, the factual allegations of the complaint, except those concerning damages, are deemed to have been admitted by the non-responding party. [Fed. R. Civ. Proc. 8(b)(6)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=1004365&DocName=USFRCPR8&FindType=L); *see also* [*Geddes v. United Fin. Group,* 559 F.2d 557, 560 (9th Cir.1977)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=350&FindType=Y&ReferencePositionType=S&SerialNum=1977123186&ReferencePosition=560) (stating the general rule that “upon default[,] the factual allegations of the complaint, except those relating to the amount of damages, will be taken as true”). A defendant's default, however, does not automatically entitle the plaintiff to a court-ordered default judgment. [*Draper v. Coombs,* 792 F.2d 915, 924–25 (9th Cir.1986)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=350&FindType=Y&ReferencePositionType=S&SerialNum=1986132658&ReferencePosition=924).

“Granting or denying a motion for default judgment is a matter within the court's discretion.” [*Landstar Ranger, Inc. v. Parth Enterprises, Inc.,* 2010 WL 2889490, at \*2 (C.D.Cal. Jul.19, 2010)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=0000999&FindType=Y&SerialNum=2022605747) (quoting [*Elektra Entertainment Group Inc. v. Bryant,* No. CV 03–6381 GAF (JTLx), 2004 WL 783123, at \*1 (C.D.Cal. Feb.13, 2004)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=0000999&FindType=Y&SerialNum=2004321904)). The Ninth Circuit has directed that courts consider the following factors in deciding whether to enter default judgment:

(1) the possibility of prejudice to plaintiff; (2) the merits of plaintiff's substantive claim; (3) the sufficiency of the complaint; (4) the sum of money at stake in the action; (5) the possibility of a dispute concerning the material facts; (6) whether defendant's default was the product of excusable neglect; and (7) the strong public policy favoring decisions on the merits.

[*Eitel v. McCool,* 782 F.2d 1470, 1471–72 (9th Cir.1986)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=350&FindType=Y&ReferencePositionType=S&SerialNum=1986108930&ReferencePosition=1471).

**C. *Eitel* Factors**

**1. Possibility of Prejudice to Plaintiff**

The first Eitel factor considers whether plaintiffs will suffer prejudice if a default judgment is not entered. [*Pepsico, Inc. v. California Security Cans,* 238 F.Supp.2d 1172, 1177 (C.D.Cal.2002)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=4637&FindType=Y&ReferencePositionType=S&SerialNum=2003072973&ReferencePosition=1177). To the extent that Defendant has failed to appear in, or otherwise defend this action, Plaintiffs will be left without a remedy if default judgment is not entered in their favor. Therefore, this factor weighs in favor of entry of default judgment.

**2. Merits of Plaintiffs' Substantive Claim and Sufficiency of the Complaint**

The second and third *Eitel* factors weigh the substantive merit of the plaintiff's claims and the sufficiency of the pleadings to support these claims. In order for these factors to weigh in favor of entering a default judgment, the plaintiffs must state a claim upon which they may recover.   [*Pepsico,* 238 F.Supp.2d at 1175;](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=4637&FindType=Y&ReferencePositionType=S&SerialNum=2003072973&ReferencePosition=1175) *see also* [*Danning v. Lavine,* 572 F.2d 1386, 1388 (9th Cir.1978)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=350&FindType=Y&ReferencePositionType=S&SerialNum=1978103135&ReferencePosition=1388) (stating that the allegations in the complaint must state a claim upon which the plaintiffs may recover).

**a. Trademark Counterfeiting & Infringement**

To prevail on a claim for trademark infringement, a holder of a registered service mark must show that another person is using: (1) any reproduction, counterfeit, copy or colorable imitation of a mark; (2) without the registrant's consent; (3) in commerce; (4) in connection with the sale, offering for sale, distribution or advertising of any goods; (5) where such use is likely to cause confusion, or to cause a mistake or to deceive. [15 U.S.C. § 1114(1)(a)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=1000546&DocName=15USCAS1114&FindType=L&ReferencePositionType=T&ReferencePosition=SP_9f800000f2221); [*Century 21 Real Estate Corp. v. Sanlin,* 846 F.2d 1175, 1178 (9th Cir.1988)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=350&FindType=Y&ReferencePositionType=S&SerialNum=1988066937&ReferencePosition=1178). Neither intent nor actual confusion are necessary to establish a likelihood of confusion. *Id.* The critical determination is, “whether an alleged trademark infringer's use of a mark creates a likelihood that the consuming public will be confused as to who made that product.” [*Jada Toys, Inc. v. Mattel, Inc.,* 518 F.3d 628, 632 (9th Cir.2008)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=506&FindType=Y&ReferencePositionType=S&SerialNum=2015297940&ReferencePosition=632) (quoting [*Brother Records, Inc. v. Jardine,* 318 F.3d 900, 908 (9th Cir.2003)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=506&FindType=Y&ReferencePositionType=S&SerialNum=2003117400&ReferencePosition=908)) (quotation marks omitted).

Here, Plaintiffs have alleged that they are the respective owners of Gucci, Bottega, and Balenciaga Marks that are registered with the United States Patent and Trademark Office and they have provided trademark registrations in support of that assertion. First Am. Compl. ¶¶ 3–5; Feldman Decl. ¶¶ 4–6; RJN, Exs. A, B, C. Plaintiffs have also alleged that Defendant Wang Huoqing uses the Marks to sell counterfeit products bearing the Gucci, Bottega, and Balenciaga Marks over the internet, and that these activities are causing confusion, mistake, and deception among members of the trade and the general consuming public as to the origin and quality of Defendant's counterfeit goods. First Am. Compl. ¶¶ 9, 27–29, 34. Further, Plaintiffs have presented evidence that the twenty-eight websites listed in the Motion for Default Judgment are owned or controlled by Wang Huoqing and offer for sale non-authentic products that carry Plaintiffs' trademarks. Finally, Plaintiffs have presented evidence that they actually purchased an item offered on one of the websites controlled by Wang Huoqing and determined that it infringed.

Plaintiffs have presented the trademark registrations for the Gucci, Bottega, and Balenciaga Marks in support of the Motion. *See* RJN, Exs. A, B, C. This evidence establishes that the Plaintiffs are the owners of the respective trademarks presented in the RJN. In addition, from Stacy Feldman's supplemental declaration, it appears the Plaintiffs' Marks have been infringed upon by Defendant. *See* Supp. Feldman Decl. ¶¶ 5–7 (stating Feldman personally reviewed printouts downloaded by Attorney Gaffigan and noted specific examples of the Defendant's infringement of the Plaintiffs' Marks on each of his Internet websites). Therefore, this factor weighs in favor of granting a default judgment.

**b. False Designation of Origin**

Plaintiffs allege that Defendant's use of the Gucci, Bottega, and Balenciaga marks constitutes false designation of origin in violation of section 43(a) of the Lanham Act, [15 U.S.C. § 1125(a)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=1000546&DocName=15USCAS1125&FindType=L&ReferencePositionType=T&ReferencePosition=SP_8b3b0000958a4). That section provides as follows:

Any person who, or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which—

(A) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person, or

(B) in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person's goods, services, or commercial activities, shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act.

[15 U.S.C. § 1125(a)(1)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=1000546&DocName=15USCAS1125&FindType=L&ReferencePositionType=T&ReferencePosition=SP_7b9b000044381).

In order to prevail in an action for false designation of origin, a plaintiff must show that: 1) the terms or logos in question are valid and protectable trademarks; 2) the plaintiff owns these marks as trademarks; 3) the plaintiff used these marks in commerce; and 4) the defendants “used terms or designs similar to plaintiff's marks without the consent of the plaintiff in a manner that is likely to cause confusion among ordinary purchasers as to the source of the goods.” [*Chimney Safety Inst. Of Am. v. Chimney King,* 2004 WL 1465699, at \*2 (N.D.Cal. May 27, 2004)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=0000999&FindType=Y&SerialNum=2004646869) (citing [*Brookfield Commc'ns, Inc. v. West Coast Entm't Corp.,* 174 F.3d 1036, 1046–47 n. 8 (9th Cir.1999)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=506&FindType=Y&ReferencePositionType=S&SerialNum=1999106097&ReferencePosition=1046)).

Plaintiffs have presented evidence satisfying all of the elements listed above with respect to the twenty-two Gucci, Bottega, and Balenciaga Marks contained in the RJN. First, Plaintiffs have presented evidence that they own the twenty-two Marks, thus satisfying the first two elements of the claim. *See* RJN Exs. A, B, C. Second, Plaintiffs have presented evidence that they use the marks in commerce, thus satisfying the third element of the claim. Feldman Decl. in Support of FDJ ¶¶ 7, 9. Third, Plaintiffs have presented evidence the Defendant used designs that are copies of or substantially similar to the Marks without the consent of the Plaintiffs and this use is likely to cause confusion among ordinary purchasers as to the source of the products. Feldman Decl. in Support of FDJ ¶ 14. Therefore, this factor weighs in favor of granting a default judgment on Plaintiffs' false designation of origin claim.

**3. Amount at Stake**

The fourth *Eitel* factor balances the amount of money at stake in the claim in relation to the seriousness of the defendant's conduct. [*Eitel,* 782 F.2d at 1471–72](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=350&FindType=Y&ReferencePositionType=S&SerialNum=1986108930&ReferencePosition=1471).

Here, Plaintiffs request $606,000.00 in statutory damages against Defendant, as well as an award of costs and prejudgment interest. This amount, while significant, is commensurate with the seriousness of Defendant's alleged misconduct, namely, engaging in willful infringement of numerous trademarks owned by Plaintiffs. Therefore, the Court finds that this factor favors entry of default judgment.

**4. Possibility of Dispute**

The fifth *Eitel* factor weighs the possibility that material facts may be in dispute. [*Eitel* 782 F.2d at 1471–72](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=350&FindType=Y&ReferencePositionType=S&SerialNum=1986108930&ReferencePosition=1471). Here, because Defendant has failed to respond in this action, there is an absence of material facts in dispute in the record from which the Court may weigh this factor. Therefore, this factor is neutral.

**5. Possibility of Excusable Neglect**

The sixth *Eitel* factor weighs whether the defendant's default may have been the product of excusable neglect. *Id.* Here, Plaintiffs have properly served the Defendant in this action pursuant to the Court's Order Authorizing Alternate Service of Process on Defendant Pursuant to [Federal Rule of Civil Procedure 4(f)(3)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=1004365&DocName=USFRCPR4&FindType=L). Holmes Decl. In Support of FDJ. ¶ 8; Holmes Decl. In Support of App. For Order Authorizing Alt. Service ¶ 14 (stating Holmes received Return Receipts from ReadNotify.com, indicating his pretextual messages had been opened, for emails sent to the addresses: huoqing@gmail.com, dongshi007 @gmail.com, cnreg@hichina.com, bagdo.com@gmail.com, myashop@gmail.com, bagpo.com@gmail.com, my4shop@gmail.com, and julia3318@gmail.com). There is no evidence in the record that Defendant's failure to appear and otherwise defend was the result of excusable neglect. Rather, Defendant failed to appear after being served with the Complaint in this action, indicating that his failure to appear was willful. Therefore, this factor weighs in favor of entry of default judgment.

**6. Policy for Deciding Cases on the Merits**

The seventh *Eitel* factor balances the policy consideration that whenever reasonably possible, cases should be decided upon their merits.   [*Eitel,* 782 F.2d at 1472](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=350&FindType=Y&ReferencePositionType=S&SerialNum=1986108930&ReferencePosition=1472). The existence of [Rule 55(b)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=1004365&DocName=USFRCPR55&FindType=L) though, indicates, that this preference towards disposing of cases on the merits is not absolute.   [*Pepsico,* 238 F.Supp.2d at 1177](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=4637&FindType=Y&ReferencePositionType=S&SerialNum=2003072973&ReferencePosition=1177). Here, because Defendant has failed to respond or otherwise defend himself in this action, deciding the case upon the merits is not possible and this factor is therefore neutral.

As discussed above, *Eitel* factors 1, 2, 3, 4, and 6 weigh in favor of granting the final default judgment and factors 5 and 7 are neutral. Therefore, the *Eitel* analysis weighs in favor of granting final default judgment. Accordingly, it is recommended that default judgment be entered against the Defendant on Plaintiffs' trademark infringement and false designation of origin claims.

**D. Remedies**

**1. Injunctive Relief**

Plaintiffs have requested the Court grant two forms of injunctive relief. First, Plaintiffs request that the Court grant a permanent injunction barring Defendant from further interfering with Plaintiffs' businesses. Proposed Judgment and Permanent Injunction at 2–4. Second, Plaintiffs request the Court order the Subject Domain Names transferred to Plaintiffs. *Id.* at 4.

Injunctive relief is available to prevent future trademark infringement under the Lanham Act. [15 U.S.C. § 1116](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=1000546&DocName=15USCAS1116&FindType=L). “Injunctive relief is the remedy of choice for trademark and unfair competition cases, since there is no adequate remedy at law for the injury caused by a defendant's continuing infringement.”   [*Century 21,* 846 F.2d at 1180](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=350&FindType=Y&ReferencePositionType=S&SerialNum=1988066937&ReferencePosition=1180). In order to obtain injunctive relief, a plaintiff must show either: (1) probable success on the merits and the possibility of irreparable harm, or (2) the existence of serious questions on the merits and the balance of hardships tipping in its favor. [*Vision Sports, Inc. v. Melville Corp.,* 888 F.2d 609, 612 (8th Cir.1989)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=350&FindType=Y&ReferencePositionType=S&SerialNum=1989153302&ReferencePosition=612). In an action for trademark infringement, “once the plaintiff establishes a likelihood of confusion, it is ordinarily presumed that the plaintiff will suffer irreparable harm if injunctive relief is not granted.” *Id.*

Here, Plaintiffs request entry of the following injunction: [FN8](#Document1zzB00882024302036)

[FN8.](#Document1zzF00882024302036) The language of the injunctive relief is taken verbatim from the Plaintiffs' Proposed Order except that the Court has corrected a few minor typographical errors.

Defendant and his respective officers, agents, servants, employees, and attorneys, and all persons acting in concert and participation with him are hereby permanently restrained and enjoined from:

(a) manufacturing or causing to be manufactured, importing, advertising, or promoting, distributing, selling or offering to sell counterfeit and infringing goods using the Plaintiffs' Marks;

(b) using the Plaintiffs' Marks in connection with the sale of any unauthorized goods;

(c) using any logo, and/or layout which may be calculated to falsely advertise the services or products of Defendant offered for sale or sold via the Subject Domain Names [FN9](#Document1zzB00992024302036) and/or any other website or business, as being sponsored by, authorized by, endorsed by, or in any way associated with Plaintiffs;

[FN9.](#Document1zzF00992024302036) In the Proposed Order, Plaintiffs define “Subject Domain Names” as including the following: b2do.com, bag2do.cn, bag2do.com, bagdo.com, bagdo.net, bagdo2.com, bagdo2.net, bagpo.com, bagxo.com, bagxp.com, do2bag.com, do2bag.net, ebagdo.com, ibagdo.com, ibagto.com, my4shop.com, my4shop.net, my5shop.com, my5shop.net, myamart.com, myamart.net, myashop.cn, myashop.com, myashop.net, myhshop.com, mynshop.com, myokshop.com, and myrshop.com.

(d) falsely representing himself as being connected with Plaintiffs, through sponsorship or association;

(e) engaging in any act which is likely to falsely cause members of the trade and/or of the purchasing public to believe any goods or services of Defendant offered for sale o[r] sold via the Subject Domain Names and/or any other website or business are in any way endorsed by, approved by, and/or associated with Plaintiffs;

(f) using any reproduction, counterfeit, copy or colorable imitation of the Plaintiffs' Marks in connection with the publicity, promotion, sale, or advertising of any goods sold by Defendant via the Subject Domain Names and/or any other website or business, including, without limitation, footwear, belts, sunglasses, handbags, wallets, hats, jewelry, including, [sic] necklaces and bracelets, scarves, ties, and/or umbrellas;

(g) affixing, applying, annexing or using in connection with the sale of any goods, a false description or representation, including words or other symbols tending to falsely describe or represent goods offered for sale or sold by Defendant via the Subject Domain Names and/or any other website or business, as being those of Plaintiffs or in any way endorsed by Plaintiffs;

(h) offering such goods in commerce;

(i) otherwise unfairly competing with Plaintiffs;

(j) secreting, destroying, altering, removing, or otherwise dealing with the unauthorized products or any books or records which contain any information relating to the importing, manufacturing, producing, distributing, circulation, selling, marketing, offering for sale, advertising, promoting, renting or displaying of all unauthorized products which infringe the Plaintiffs' Marks; and

(k) effecting assignments or transfers, forming new entities or associations or utilizing any other device for the purpose of circumventing or otherwise avoiding the prohibitions set forth above.

Proposed Judgment and Permanent Injunction at 2–4. Plaintiffs have also requested transfer of the Domain names as follows:

(a) In order to give practical effect to the Permanent Injunction, the Subject Domain Names are hereby ordered to be immediately transferred by Defendant, his assignees and/or successors in interest or title, and the Registrars to Plaintiffs' control. To the extent the current Registrars do not facilitate the transfer of the domain names to Plaintiffs' control within ten (10) days of receipt of this judgment, the United States based Registry shall, within thirty (30) days, transfer the Subject Domain Names to a United States based Registrar of Plaintiffs' choosing, and that Registrar shall transfer the Subject Domain Names to Plaintiffs;

(b) Upon Plaintiffs' request, the top level domain (TLD) Registries for the Subject Domain Names shall place the Subject Domain Names on Registry Hold status within thirty (30) days of receipt of this Order, thus removing them from the TLD zone files maintained by the Registries which link the Subject Domain Names to the IP addresses where the associated websites are hosted [.] [FN10](#Document1zzB010102024302036)

[FN10.](#Document1zzF010102024302036) In their original proposed order, Plaintiffs also requested that the following provision be included:

(c) Upon Plaintiffs' request, Defendant, those acting in concert with him, and those with notice of the Injunction, including any Internet search engines, including Google, Yahoo! and Bing, Web hosts, domain-name registrars, and domain-name registries that are provided with notice of the Injunction, shall be and are hereby restrained and enjoined from facilitating access to any or all websites through which Defendant engages in the sale of counterfeit and infringing goods using the Plaintiffs' Marks.

However, in their supplemental memorandum, Plaintiffs stipulated they are no longer requesting the inclusion of this provision in the Court's order. Plaintiffs Supplemental Memorandum of Law in Support of Plaintiffs' Motion for Entry of Final Default Judgment p. 9.

In support of their request for injunctive relief, Plaintiffs provided evidence of Defendant's infringing activity, thereby showing a probability of success on the merits. Plaintiffs have also established a likelihood of confusion by showing Defendant's use of counterfeit Gucci, Bottega, and Balenciaga Marks, giving rise to a presumption that Plaintiffs will suffer irreparable harm if injunctive relief is not granted. Further, Plaintiffs assert that they have invested substantial time and money in advertising and promoting the Gucci, Bottega, and Balenciaga Marks, as a result of which Plaintiffs' marks have become widely recognized and Plaintiffs have developed reputation and goodwill. *See* [*Phillip Morris USA, Inc. v. Shalabi,* 352 F.Supp.2d 1067 (C.D.Cal.2004)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=4637&FindType=Y&SerialNum=2006063498) (considering plaintiff's investment in advertising and promoting, reputation, and goodwill in finding irreparable harm). Because Plaintiffs will suffer irreparable injury to their reputation and goodwill if injunctive relief is not granted, the Court recommends that Plaintiffs' request for a permanent injunction be granted.

Having determined that Plaintiffs are entitled to injunctive relief, the Court must determine the appropriate scope of the injunctive relief. [Rule 65 of the Federal Rules of Civil Procedure](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=1004365&DocName=USFRCPR65&FindType=L) requires that “[e]very order granting an injunction ... shall set forth the reasons for its issuance; shall be specific in terms; [and] shall describe in reasonable detail ... the act or acts sought to be restrained.” [Fed.R.Civ.P. 65(d)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=1004365&DocName=USFRCPR65&FindType=L). Generally, “an injunction must be narrowly tailored to remedy only the specific harms shown by the plaintiffs rather than to enjoin all possible breaches of the law.” [*Iconix, Inc. v. Tokuda,* 457 F.Supp.2d 969, 998–1002 (N.D.Cal.2006)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=4637&FindType=Y&ReferencePositionType=S&SerialNum=2010383264&ReferencePosition=998) (citing [*Price v. City of Stockton,* 390 F.3d 1105, 1117 (9th Cir.2004)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=506&FindType=Y&ReferencePositionType=S&SerialNum=2005697029&ReferencePosition=1117)).

Applying this standard to the first form of injunctive relief requested, prohibiting Defendant from engaging in further infringement, the Court finds the relief to be narrowly tailored to remedy the harms shown by Plaintiffs and necessary to effectuate the purpose of preventing the Defendant from unlawfully infringing on the Plaintiffs' marks. The Plaintiffs have established Defendant's ownership or control over all twenty-eight domain names at issue (b2do.com, bag2do.cn, bag2do.com, bagdo.com, bagdo.net, bagdo2.com, bagdo2.net, bagpo.com, bagxo.com, bagxp.com, do2bag.com, do2bag.net, ebagdo.com, ibagdo.com, ibagto.com, my4shop.com, my4shop.net, my5shop.com, my5shop.net, myamart.com, myamart.net, myashop.cn, myashop.com, myashop.net, myhshop.com, mynshop.com, myokshop.com, and myrshop.com). Additionally, the requested relief is in line with injunctive relief granted by other courts. *See e.g., Chanel, Inc. v. Sophia Zhang,* Case No. 3:09–cv–01977–MMC (N.D.Cal. Dec. 7, 2009) (including nearly identical language in permanent injunction); [*Chanel, Inc. v. Lin,* 2010 WL 2557503 (N.D.Cal. May 7, 2010)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=0000999&FindType=Y&SerialNum=2022396171) (including nearly identical language in permanent injunction). Additionally, the broad scope of the injunction is reasonable given that the Defendant has used the counterfeit marks to sell the same types of goods as offered by Gucci, Bottega and Balenciaga. *See* [*Perfumebay.com Inc. v. eBay Inc.,* 506 F.3d 1165, 1177 (9th Cir.2007)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=506&FindType=Y&ReferencePositionType=S&SerialNum=2013921933&ReferencePosition=1177) (“When the infringing use is for a similar service, a broad injunction is especially appropriate”). Accordingly, the Court recommends that Plaintiffs' proposed injunction be adopted in its entirety with regard to all twenty-eight websites listed in the Motion for Default Judgment (b2do.com, bag2do.cn, bag2do.com, bagdo.com, bagdo.net, bagdo2.com, bagdo2.net, bagpo.com, bagxo.com, bagxp.com, do2bag.com, do2bag.net, ebagdo.com, ibagdo.com, ibagto.com, my4shop.com, my4shop.net, my5shop.com, my5shop.net, myamart.com, myamart.net, myashop.cn, myashop.com, myashop.net, myhshop.com, mynshop.com, myokshop.com, and myrshop.com).

As to the second form of relief requested, the transfer of the domain names to the Plaintiffs, the Court also finds Plaintiffs' request to be reasonable and necessary even though it will be directed in part, to entities that are not parties to this action. This Court has specifically addressed the issue of enforcing its order on a third party in the context of a similar trademark infringement action and has concluded that under [15 U.S.C. § 1116](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=1000546&DocName=15USCAS1116&FindType=L), the Court is authorized to issue such an order against a third party because it is necessary to effectuate the purposes of the injunction. [*Chanel, Inc., v. Lin,* 2010 WL 2557503, at \*12 (N.D.Cal. May 7, 2010)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=0000999&FindType=Y&SerialNum=2022396171); *see also Louis Vuitton Malletier, S.A. v. Absolutee Corp.., Ltd.,* Case No. 3:09–cv–05612 MMC (N.D. Cal. April 19, 2010) (ordering transfer of domain names on default judgment where plaintiff asserted claims for trademark infringement and false designation of origin under Lanham Act but did not assert cyberpiracy claim). As stated above, Plaintiffs have provided evidence showing the Defendant is tied to all twenty-eight websites listed in the Motion for Default Judgment (b2do.com, bag2do.cn, bag2do.com, bagdo.com, bagdo.net, bagdo2.com, bagdo2.net, bagpo.com, bagxo.com, bagxp.com, do2bag.com, do2bag.net, ebagdo.com, ibagdo.com, ibagto.com, my4shop.com, my4shop.net, my5shop.com, my5shop.net, myamart.com, myamart.net, myashop.cn, myashop.com, myashop.net, myhshop.com, mynshop.com, myokshop.com, and myrshop.com). Therefore, the second form of injunctive relief should be granted. Finally, Plaintiffs have stipulated that the twenty-eight domain names at issue should all be transferred to Plaintiff Gucci, as it is responsible for the Plaintiffs' anti-counterfeiting programs. Plaintiffs' Supplemental Memorandum of Law in Support of Plaintiffs' Motion for Entry of Final Default Judgment p. 9.

**2. Statutory Damages**

The Lanham Act provides that a trademark owner may recover: (1) defendant's profits; (2) any damages sustained by the plaintiff; and (3) the costs of the action where a plaintiff has established trademark infringement. [15 U.S.C. § 1117(a)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=1000546&DocName=15USCAS1117&FindType=L&ReferencePositionType=T&ReferencePosition=SP_8b3b0000958a4). As an alternative to seeking damages in the form of lost profits, a plaintiff may elect to receive an award of statutory damages in trademark actions involving the use of a counterfeit mark. [15 U.S.C. § 1117(c)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=1000546&DocName=15USCAS1117&FindType=L&ReferencePositionType=T&ReferencePosition=SP_4b24000003ba5). Under the Lanham Act, a court may award “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.” [15 U.S.C § 1117(c)(1)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=1000546&DocName=15USCAS1117&FindType=L&ReferencePositionType=T&ReferencePosition=SP_10c0000001331). A court may grant enhanced damages of up to $2,000,000 per counterfeit mark on a finding of willful infringement. [15 U.S.C. § 1117(c)(2)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=1000546&DocName=15USCAS1117&FindType=L&ReferencePositionType=T&ReferencePosition=SP_fcf30000ea9c4). Willful infringement occurs when the defendant knowingly and intentionally infringes on a trademark. *See* [*Earthquake Sound Corp. v. Bumper Indus.,* 352 F.3d 1210, 1216–1217 (9th Cir.2003)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=506&FindType=Y&ReferencePositionType=S&SerialNum=2003922279&ReferencePosition=1216). Willfulness can also be inferred from a defendant's failure to defend. [*Philip Morris USA, Inc. v. Castworld Prods., Inc.,* 219 F.R.D. 494, 500 (C.D.Cal.2003)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=344&FindType=Y&ReferencePositionType=S&SerialNum=2004043522&ReferencePosition=500). If statutory damages are elected, a court has wide discretion in determining the amount of statutory damages to be awarded.   [*Columbia Pictures Television, Inc. v. Krypton Broad. of Birmingham,* 259 F.3d 1186, 1194 (9th Cir.2001)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=506&FindType=Y&ReferencePositionType=S&SerialNum=2001670303&ReferencePosition=1194). Although [Section 1117(c)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=1000546&DocName=15USCAS1117&FindType=L&ReferencePositionType=T&ReferencePosition=SP_4b24000003ba5) does not give any specific guidance as to how a court should determine an appropriate statutory damage award, many courts have looked to the following factors that are considered for the award of statutory damages under an analogous provision of the Copyright Act:

(1) the expenses saved and the profits reaped; (2) the revenues lost by the plaintiff[s]; (3) the value of the copyright; (4) the deterrent effect on others besides the defendant; (5) whether the defendant's conduct was innocent or willful; (6) whether a defendant has cooperated in providing particular records from which to assess the value of the infringing material produced; and (7) the potential for discouraging the defendant.

[*Cartier v. Symbolix Inc.,* 544 F.Supp.2d 316, 318 (S.D.N.Y.2008)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=4637&FindType=Y&ReferencePositionType=S&SerialNum=2015651548&ReferencePosition=318) (quoting [*John Wiley & Sons, Inc., et al. v. Kanzin Rukiz Entertainment and Promotions et al,* No. 06 Civ. 12949, 2007 WL 1695124](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=0000999&FindType=Y&SerialNum=2012468426), at\*3 (S.D.N.Y. June 12, 2007)); *see also* [*Adobe Systems Inc. v. Tilley,* No. C 09–1085 PJH, 2010 WL 309249, at \*5 (N.D.Cal. Jan.9, 2010)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=0000999&FindType=Y&SerialNum=2021229863) (“courts in this district have also considered whether the damages sought bear a plausible relationship to the plaintiff's actual damages”) (quotations omitted). The Court considers these factors below.

First, as to *expenses saved and profits reaped* as a result of the Defendant's infringement, there is no evidence in the record of Defendant Wang Huoqing's expenses saved or profits reaped because the Defendant has failed to appear or otherwise defend this action. Therefore, this factor does not offer the court any guidance as to the appropriate amount of statutory damages. As to *revenues lost,* Plaintiffs have not provided any evidence of lost revenue and it may be difficult to quantify such. Therefore, this factor does not provide guidance in this case. As to the *value of the intellectual property,* the Plaintiffs have not provided any evidence as to the actual value of their trademarks, though Ms. Feldman has stated that the Plaintiffs' Marks are “vital” to their businesses and represent “virtually the entire respective value of the companies and their associated images.” Feldman Decl. in Support of FDJ ¶ 9. As to the *deterrent effect on others beside defendant,* a significant award to the Plaintiffs would clearly have some degree of deterrent effect on other infringers. As to *whether defendant's conduct was willful,* the incomplete registration information for the domain names, the failure to appear after being properly served, and the blatant use of the Plaintiffs' names suggest that the Defendant's conduct is willful and not innocent. As to *whether the defendant has cooperated in providing records,* as stated above, the Defendant has failed to appear or otherwise defend this action. Therefore, this factor is not applicable. As to the *potential for discouraging the defendant,* although a smaller damage award would probably be persuasive in deterring the Defendant, the Plaintiffs have alleged that he resides in the People's Republic of China and therefore any judgment, regardless of the amount of damages imposed may not have a deterring effect because enforcing the judgment may prove difficult. Weighing these factors, the Court concludes that Plaintiffs are entitled to a significant award of statutory damages. Below, the Court considers the appropriate methodology for setting a dollar amount on those damages.

In the Motion, Plaintiffs have requested a damage award based upon the number of registered marks, multiplied by the types of counterfeit goods sold (e.g.handbags, sunglasses, jewelry, etc.), multiplied by $3,000, that is, the amount of damages sought as to each type of good. This methodology gives rise to damages in the amounts of $594,000 (Gucci), $3,000 (Bottega), and $9,000 (Balenciaga). The Court finds that this methodology is problematic for two reasons. First, Plaintiffs have not provided evidence showing that each registered mark was used on each type of good. In particular, it is not possible to determine from the print-outs provided by Plaintiffs which particular marks are infringed by the products shown or even whether each type of product for which damages are sought is shown. Second, even if all twenty-two trademarks have been infringed in each type of product, the Court notes that many of the Marks appear very similar. Other courts that have addressed this issue have concluded that where the infringing acts are based on very similar marks, it may be appropriate to take this fact into account when calculating statutory damages to ensure that the Plaintiffs do not receive a windfall. *See, e.g.,* [*Adobe Systems, Inc. v. Tilley,* 2010 WL 309249, at \*5 (N.D.Cal. Jan.19, 2010)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=0000999&FindType=Y&SerialNum=2021229863); 2–5 Gilson on Trademarks § 5.19 (“If there are multiple marks involved, rather than give plaintiff[s] a windfall, courts tend to award an amount without multiplying it by the number of marks or to lower the award given per mark”); [*Louis Vuitton Malletier & Oakley, Inc. v. Veit,* 211 F.Supp.2d 567, 584–85 (E.D.Pa.2002)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=4637&FindType=Y&ReferencePositionType=S&SerialNum=2002423812&ReferencePosition=584) (noting “[i]n similar cases concerning multiple marks, courts have been inclined to either award the maximum without multiplication or to lower the per mark award”).

In light of these concerns, the Court adopts the methodology used by Judge Chen in a similar situation to calculate damages.[FN11](#Document1zzB011112024302036) *See Chanel, Inc. v. Casondra Tshimanga,* Case No. 3:07–cv–03592 EMC (N.D.Cal. Jul. 15, 2008) (involving websites registered to Tshimanga that sold counterfeit goods that infringed marks registered to Chanel where a number of the infringed marks were identical or substantially similar to other marks for which Chanel sought recovery). In *Tshimanga,* Judge Chen chose to eliminate substantially similar trademarks from the damages calculation and to then use a higher per violation award for a lesser number of violations. As a result, damages were reduced from the requested amount of $678,000 to $450,000.

[FN11.](#Document1zzF011112024302036) At the October 8 hearing, Plaintiffs stipulated that they did not object to the Court's application of this framework to determine the amount of damages in this case.

Applying that methodology to this case, there are eight Gucci marks which are substantially similar to other Marks for which Gucci is requesting damages. Removing these Marks for the purpose of calculating damages would leave ten Gucci Marks upon which to base their damages.[FN12](#Document1zzB012122024302036) Bottega has only requested damages with regard to one Mark and therefore, there are no other substantially similar Marks to remove. Balenciaga has one Mark which is substantially similar to another one of the Marks for which it is requesting damages and therefore, for calculation purposes, Balenciaga's Marks would be reduced to two.[FN13](#Document1zzB013132024302036) At the same time, the Court finds that the amount per violation should be increased from $3,000 (as requested by Plaintiffs) to $4,000, which is a relatively low per-violation amount, given that Defendant's infringement was willful. Calculating Plaintiffs' damages with these adjustments results in a total damage award of $452,000.[FN14](#Document1zzB014142024302036) This award represents 74.6% of the Plaintiffs' original request of $606,000.[FN15](#Document1zzB015152024302036)

[FN12.](#Document1zzF012122024302036) Trademark registration numbers 1,097,555 and 3,660,040 appear substantially similar to registration number 1,097,483. Registration numbers 1,168,477 and 1,200,991 appear substantially similar to registration number 0,876,292. Registration numbers 3,039,630 and 3,376,129 appear substantially similar to registration number 3,039,629. Registration number 3,072,547 appears substantially similar to 3,072,549. Registration number 3,470,140 appears substantially similar to 3,039,631. At the October 8 hearing, Plaintiffs stipulated to removing the substantially similar marks for the purposes of calculating statutory damages. Plaintiffs' Supplemental Memorandum of Law in Support of Plaintiffs' Motion for Entry of Default Judgment, p. 8.

[FN13.](#Document1zzF013132024302036) Trademark registration number 3,344,631 appears substantially similar to registration number 3,044,207.

[FN14.](#Document1zzF014142024302036) For Gucci: 10 trademarks x 11 types of goods x $4,000 = $440,000. For Bottega: 1 trademark x 1 type of good x $4,000 = $4,000. For Balenciaga: 2 trademarks x 1 type of good x $4,000 = $8,000.

[FN15.](#Document1zzF015152024302036) Judge Chen's methodology produced a result that was approximately 66% of the requested amount in *Tshimanga.*

**3. Costs**

Under the Lanham Act, a plaintiff that prevails on a claim under [§ 1125(a)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=1000546&DocName=15USCAS1125&FindType=L&ReferencePositionType=T&ReferencePosition=SP_8b3b0000958a4) is entitled to costs. [15 U.S.C. § 1117(a)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=1000546&DocName=15USCAS1117&FindType=L&ReferencePositionType=T&ReferencePosition=SP_8b3b0000958a4). Plaintiffs have prevailed on their false designation of origin claim under [§ 1125(a)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=1000546&DocName=15USCAS1125&FindType=L&ReferencePositionType=T&ReferencePosition=SP_8b3b0000958a4) and therefore are entitled to costs. Plaintiffs state that they have incurred costs in the amount of $700.00, consisting of the filing fee ($350.00) and the process server fees ($350.00). *See* Kearns Decl. ¶ 13; Holmes Decl. ¶ 8.

Under Civil Local Rule 54–3, an award of costs may include the clerk's filing fee and fees for service of process “to the extent reasonably required and actually incurred.” Therefore, Plaintiffs' costs of $350.00 in filing fees and $350.00 for service, totaling $700.00, are allowable and should be awarded in full and apportioned as follows: $233.34 for Gucci, $233.33 for Bottega, and $233.33 for Balenciaga, as requested in Plaintiffs' Proposed Judgment and Permanent Injunction. Proposed Judgment and Permanent Injunction at 5.

**4. Prejudgment Interest**

Plaintiffs have requested an award of prejudgment interest in this case and the Court concludes the Plaintiffs are entitled to receive an award of prejudgment interest. Under [15 U.S.C. § 1117(b)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=1000546&DocName=15USCAS1117&FindType=L&ReferencePositionType=T&ReferencePosition=SP_a83b000018c76), assuming the court has found intentional use of a mark or designation as defined in [section 1116(d)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=1000546&DocName=15USCAS1116&FindType=L) of the same title, “the court may award prejudgment interest on such amount at an annual interest rate established under section 6621(a)(2) of Title 26, [FN16](#Document1zzB016162024302036) beginning on the date of service of the claimant's pleadings setting forth the claim for such entry of judgment and ending on the date such entry is made, or for shorter time as the court considers appropriate.” [15 U.S.C. § 1117(b)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=1000546&DocName=15USCAS1117&FindType=L&ReferencePositionType=T&ReferencePosition=SP_a83b000018c76).

[FN16.](#Document1zzF016162024302036) Section 6621(a)(2) provides that the prejudgment rate shall be equal to the Federal short-term rate as defined by the Secretary in the first month of each calendar quarter plus 3 percentage points.

Here, the Summons, Complaint and First Amended Complaint were all served on March 13, 2010 and therefore, the Court calculates prejudgment interest from that date to the date of this Report and Recommendation. Using an annual rate of 3.64%,[FN17](#Document1zzB017172024302036) Plaintiffs should be awarded $13,117.16 in prejudgment interest.[FN18](#Document1zzB018182024302036) The prejudgment interest should be apportioned as follows: for Gucci, $12,768.92 [FN19](#Document1zzB019192024302036); for Bottega, $116.08 [FN20](#Document1zzB020202024302036); and for Balenciaga, $232.16.[FN21](#Document1zzB021212024302036)

[FN17.](#Document1zzF017172024302036) The short-term rate for March, 2010 was 0.64%, corresponding to the month in which the complaint was served in this action. (This figure was determined based on information from http://www.irs.gov/pub/irs–drop/rr–10–08.pdf). Thus, the rate used to calculate Plaintiffs' prejudgment interest should be 3.64%. In their Supplemental Memorandum, Plaintiffs stipulated to the prejudgment interest rate of 3.64%. Plaintiffs' Supplemental Memorandum of Law in Support of Plaintiffs' Motion for Entry of Final Default Judgment, p. 9 n. 4.

[FN18.](#Document1zzF018182024302036) The prejudgment interest figure of $13,117.16 was computed by converting the annual rate of 3.64% to a daily rate of 9.97260274 x 10 –5 (.0364 ÷ 365), then multiplying by 291, representing the 291 days between service of the complaint in this action (March 13, 2010) and the date of this Report and Recommendation, then multiplying by $452,000.00, representing the total statutory damages to be awarded.

[FN19.](#Document1zzF019192024302036) 9.97260274 x 10 –5 x $440,000.00 = $12,768.92

[FN20.](#Document1zzF020202024302036) 9.97260274 x 10 –5 x $4,000.00 = $116.08

[FN21.](#Document1zzF021212024302036) 9.97260274 x 10 –5 x $8,000.00 = $232.16

**IV. CONCLUSION**

It is recommended that the Court GRANT the Motion. Default judgment should be entered against the Defendant on Plaintiffs' trademark infringement and false designation of origin claims. The Court should award statutory damages to each Plaintiff in the following amounts: for Gucci America, Inc. $440,000; for Bottega Veneta International S.A.R.L. $4,000; and for Balenciaga S.A. $8,000. The Court should award prejudgment interest to each Plaintiff in the following amounts: for Gucci America, Inc. $12,768.92; for Bottega Veneta International S.A.R.L. $116.08; and for Balenciaga S.A. $232.16. Additionally, the Court should award $233.33 in costs to each Plaintiff on the basis of Defendant's trademark infringement, for which Defendant shall be liable.

A permanent injunction should be entered against the Defendant as follows:

Defendant and his respective officers, agents, servants, employees, and attorneys, and all persons acting in concert and participation with him are hereby permanently restrained and enjoined from:

(a) manufacturing or causing to be manufactured, importing, advertising, or promoting, distributing, selling or offering to sell counterfeit and infringing goods using the Plaintiffs' Marks;

(b) using the Plaintiffs' Marks in connection with the sale of any unauthorized goods;

(c) using any logo, and/or layout which may be calculated to falsely advertise the services or products of Defendant offered for sale or sold via the websites: b2do.com, bag2do.cn, bag2do.com, bagdo.com, bagdo.net, bagdo2.com, bagdo2.net, bagpo.com, bagxo.com, bagxp.com, do2bag.com, do2bag.net, ebagdo.com, ibagdo.com, ibagto.com, my4shop.com, my4shop.net, my5shop.com, my5shop.net, myamart.com, myamart.net, myashop.cn, myashop.com, myashop.net, myhshop.com, mynshop.com, myokshop.com, and myrshop.com and/or any other website or business, as being sponsored by, authorized by, endorsed by, or in any way associated with Plaintiffs;

(d) falsely representing himself as being connected with Plaintiffs, through sponsorship or association;

(e) engaging in any act which is likely to falsely cause members of the trade and/or of the purchasing public to believe any goods or services of Defendant offered for sale o[r] sold via the websites: b2do.com, bag2do.cn, bag2do.com, bagdo.com, bagdo.net, bagdo2.com, bagdo2.net, bagpo.com, bagxo.com, bagxp.com, do2bag.com, do2bag.net, ebagdo.com, ibagdo.com, ibagto.com, my4shop.com, my4shop.net, my5shop.com, my5shop.net, myamart.com, myamart.net, myashop.cn, myashop.com, myashop.net, myhshop.com, mynshop.com, myokshop.com, and myrshop.com and/or any other website or business are in any way endorsed by, approved by, and/or associated with Plaintiffs;

(f) using any reproduction, counterfeit, copy or colorable imitation of the Plaintiffs' Marks in connection with the publicity, promotion, sale or advertising of any goods sold by Defendant via the websites: b2do.com, bag2do.cn, bag2do.com, bagdo.com, bagdo.net, bagdo2.com, bagdo2.net, bagpo.com, bagxo.com, bagxp.com, do2bag.com, do2bag.net, ebagdo.com, ibagdo.com, ibagto.com, my4shop.com, my4shop.net, my5shop.com, my5shop.net, myamart.com, myamart.net, myashop.cn, myashop.com, myashop.net, myhshop.com, mynshop.com, myokshop.com, and myrshop.com and/or any other website or business, including, without limitation, footwear, belts, sunglasses, handbags, wallets, hats, necklaces, bracelets, scarves, ties, and/or umbrellas;

(g) affixing, applying, annexing or using in connection with the sale of any goods, a false description or representation, including words or other symbols tending to falsely describe or represent goods offered for sale or sold by Defendant via the websites: b2do.com, bag2do.cn, bag2do.com, bagdo.com, bagdo.net, bagdo2.com, bagdo2.net, bagpo.com, bagxo.com, bagxp.com, do2bag.com, do2bag.net, ebagdo.com, ibagdo.com, ibagto.com, my4shop.com, my4shop.net, my5shop.com, my5shop.net, myamart.com, myamart.net, myashop.cn, myashop.com, myashop.net, myhshop.com, mynshop.com, myokshop.com, and myrshop.com and/or any other website or business, as being those of Plaintiffs or in any way endorsed by Plaintiffs;

(h) offering such goods in commerce;

(i) otherwise unfairly competing with Plaintiffs;

(j) secreting, destroying, altering, removing, or otherwise dealing with the unauthorized products or any books or records which contain any information relating to the importing, manufacturing, producing, distributing, circulation, selling, marketing, offering for sale, advertising, promoting, renting or displaying of all unauthorized products which infringe the Plaintiffs' Marks; and

(k) effecting assignments or transfers, forming new entities or associations or utilizing any other device for the purpose of circumventing or otherwise avoiding the prohibitions set forth above.

Finally, the Court should further order as follows:

(l) In order to give practical effect to the Permanent Injunction, the websites: b2do.com, bag2do.cn, bag2do.com, bagdo.com, bagdo.net, bagdo2.com, bagdo2.net, bagpo.com, bagxo.com, bagxp.com, do2bag.com, do2bag.net, ebagdo.com, ibagdo.com, ibagto.com, my4shop.com, my4shop.net, my5shop.com, my5shop.net, myamart.com, myamart.net, myashop.cn, myashop.com, myashop.net, myhshop.com, mynshop.com, myokshop.com, and myrshop.com are hereby ordered to be immediately transferred by Defendant, his assignees and/or successors in interest or title, and the Registrars to Plaintiff Gucci's control. To the extent the current Registrars do not facilitate the transfer of the domain names to Plaintiffs' control within ten (10) days of receipt of this judgment, the United States based Registry shall, within thirty (30) days, transfer the Subject Domain Names to a United States based Registrar of Plaintiffs' choosing, and that Registrar shall transfer the Subject Domain Names to Plaintiff Gucci; and

(m) Upon Plaintiffs' request, the top level domain (TLD) Registries for the websites: b2do.com, bag2do.cn, bag2do.com, bagdo.com, bagdo.net, bagdo2.com, bagdo2.net, bagpo.com, bagxo.com, bagxp.com, do2bag.com, do2bag.net, ebagdo.com, ibagdo.com, ibagto.com, my4shop.com, my4shop.net, my5shop.com, my5shop.net, myamart.com, myamart.net, myashop.cn, myashop.com, myashop.net, myhshop.com, mynshop.com, myokshop.com, and myrshop.com shall place the websites on Registry Hold status within thirty (30) days of receipt of this Order, thus removing them from the TLD zone files maintained by the Registries which link the websites to the IP addresses where the associated websites are hosted.

# *Case 2.3*

Tex.App.–Houston [1 Dist.],2012.

Cleveland Const., Inc. v. Levco Const., Inc.

359 S.W.3d 843

Court of Appeals of Texas,

Houston (1st Dist.).

**CLEVELAND CONSTRUCTION, INC., Appellant,**

**v.**

**LEVCO CONSTRUCTION, INC., Appellee.**

No. 01–11–00530–CV.

Jan. 26, 2012.

**OPINION**

[EVELYN V. KEYES](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=PROFILER-WLD&DocName=0149375801&FindType=h), Justice.

Appellant, Cleveland Construction, Inc. (“CCI”), appeals the trial court's denial of its motion to compel arbitration. In two issues, CCI argues that the trial court erroneously denied its motion to compel arbitration because (1) the Federal Arbitration Act (“FAA”) applies, the arbitration provision is valid, and the claim is within the scope of the arbitration provision, and (2) the law favors arbitration and the FAA preempts conflicting state law.

We reverse and remand.

**Background**

Whole Foods Market, Inc. (“Whole Foods”) hired CCI to serve as general contractor to construct a store in Houston, Texas (“the Project”). The contract between Whole Foods and CCI (“the Whole Foods Contract”) allowed CCI to hire subcontractors.

CCI contracted with appellee, Levco Construction, Inc. (“Levco”), as a subcontractor, to perform certain tasks related to the construction, including excavating, grading, digging for laying utilities, paving, and preparing the foundation (“the Construction Contract”). The Construction Contract contained the following arbitration provision:

*Article 30. DISPUTE RESOLUTION*

....

30.3 Any controversy or claims of CCI against Subcontractor [Levco] or Subcontractor against CCI shall, at the option of CCI, be resolved by arbitration pursuant to the Construction Industry Arbitration Rules of the American Arbitration Association in effect on the date on which the demand for arbitration is made. Any such arbitration shall be held in Lake County, Ohio. Any award arising out of such arbitration may be entered by any court having jurisdiction....

Levco also obtained a surety bond (“the Bond”) from Intervener, Insurors Indemnity Company (“the Surety”). Both the Whole Foods Contract and the Bond issued by the Surety provided that disputes were to be resolved in a court in the county in which the Project was built, Harris County, Texas. Specifically, the Bond provided, in part:

§ 4 When the Owner [CCI] has satisfied the conditions of Section 3 [requiring notice of Contractor Default and other conditions precedent triggering the Surety's obligations under the Bond], the Surety shall promptly and at the Surety's expense take one of the following actions:

§ 4.1 Arrange for the Contractor [Levco], with consent of the Owner, to perform and complete the Construction Contract; or

§ 4.2 Undertake to perform and complete the Construction Contract itself, through its agents or through independent contractors; or

§ 4.3 Obtain bids or negotiated proposals from qualified contractors acceptable to the Owner for a contract for performance and completion of the Construction Contract ... and to pay to the Owner the amount of damages as described in Section 6 in excess of the Balance of the Contract Price incurred by the Owner resulting from the Contractor's default; or

§ 4.4 Waive its right to perform and complete, arrange for completion, or obtain a new contractor with reasonable promptness under the circumstance....

....

§ 6 After the Owner has terminated the Contractor's right to complete the Construction Contract, and if the Surety elects to act under Section 4.1, 4.2, or 4.3 above, then the responsibilities of the Surety to the Owner shall not be greater than those of the Contractor under the Construction Contract, and the responsibilities of the Owner to the Surety shall not be greater than those of the Owner under the Construction Contract....

....

§ 9 Any proceeding, legal or equitable, under this Bond may be instituted in any court of competent jurisdiction in the location in which the work or part of the work is located and shall be instituted within two years after Contractor Default or within two years after the Contractor ceased working or within two years after the Surety refuses or fails to perform its obligations under this Bond, whichever occurs first....

After Levco had partially performed under the Construction Contract, disputes arose between CCI and Levco concerning the Project, and on, January 17, 2011, CCI sent a letter to Levco informing it that “CCI elects to terminate its Agreement with Levco Construction.” The work was subsequently completed by Levco under the provisions of the Bond.

On April 14, 2011, Levco filed suit against CCI and Whole Foods in Texas state court. According to its pleadings, Levco discovered upon beginning the work that CCI and Whole Foods had failed to obtain all necessary construction permits and that the building design and plans were not complete, so Levco was required to make numerous changes. Levco made multiple requests to change the scope of the contracted-for work to include the new work, including requests for additional time and compensation. Levco alleges that CCI and Whole Foods refused to consent to the changes Levco sought. Levco also alleges that CCI maintained unreasonable deadlines, interfered with Levco's work under the Construction Contract, failed to pay Levco for work it had completed from July 2010 to April 2011, and wrongfully terminated the contract in January 2011. Thus, Levco was unable to pay its subcontractors, resulting in liens being filed against the Project.

Levco alleges that CCI eventually reinstated Levco as a subcontractor pursuant to section 4.1 of the Bond, but CCI “continued to refuse to reinstate the [Construction Contract] itself.” Levco claims that because CCI refused to reinstate the Construction Contract between them it was left in the position of “working essentially as a subcontractor for the [S]urety” under the terms of the Bond. Specifically, Levco alleges that, in its role as the issuer of the Bond, the Surety mandated that Levco be allowed to continue to work on the Project, as provided in section 4.1 of the Bond, and made an agreement with CCI regarding payment of Levco and Levco's subcontractors, as provided in section 6 of the Bond. Levco alleges that the Surety and CCI agreed that the Surety would pay Levco's subcontractors money owed them in exchange for CCI releasing the corresponding payments it owed Levco once the subcontractors released their liens on the Project. Levco states that the Surety complied with this agreement and paid Levco's subcontractors, but that CCI did not comply and release the money it owed Levco or Levco's subcontractors. Nor did CCI reinstate the Construction Contract it had terminated. Levco contends that CCI and Whole Foods are “now improperly withholding more than $500,000 in funds owed to Levco.”

Levco claims that CCI breached its agreement with Levco; that CCI and Whole Foods breached their duties to perform with care in accordance with the terms of the Construction Contract (as provided in both the Construction Contract and section 6 of the Bond) and the Whole Foods Contract and to cooperate in performance of the contracts; that CCI and Whole Foods owe it damages under theories of quantum meruit, unjust enrichment, and promissory estoppel; that CCI and Whole Foods violated [Property Code section 28.001](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=1000184&DocName=TXPOS28.001&FindType=L); and that CCI misapplied trust funds received from Whole Foods for payment of obligations under the Construction Contract and the Bond.

In addition, Levco sought a declaratory judgment that the arbitration clause in the Construction Contract is invalid and does not require arbitration because it is illusory, or, alternatively, that the provision in the Construction Contract requiring arbitration in Ohio is void because it contravenes Texas law in that “it purports to require a subcontractor to a contract involving the improvement or real property in Texas to submit to arbitration in a state other than Texas.” Finally, Levco sought attorney's fees pursuant to [Civil Practice and Remedies Code section 37.009](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=1000170&DocName=TXCPS37.009&FindType=L) and chapter 38 and [Property Code section 28.005](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=1000184&DocName=TXPOS28.005&FindType=L), and it sought a temporary restraining order or temporary injunction prohibiting CCI and Whole Foods from releasing any funds related to the Project.

On April 14, the trial court granted Levco's temporary restraining order until April 29, 2011, and it set a hearing on Levco's request for a temporary injunction for April 29.

CCI filed an arbitration demand with the American Arbitration Association, alleging, under “nature of the dispute,”

Respondent [Levco] is a subcontractor to Claimant [CCI] on the construction of a Whole Foods Market located in Houston, Texas (“Project”). Levco breached the subcontract and was terminated by CCI. Levco was bonded on the Project and the surety, Insurer's Indemnity Company utilized its option to have Levco complete the work on the Project; however, further breaches have occurred [and] CCI has been damaged by Levco's breach in [an] amount not yet fully determined but in [an] amount that CCI does not anticipate will exceed $150,000.

CCI requested that Lake County, Ohio be the arbitration locale.

On April 26, 2011, Levco filed an emergency motion to stay the arbitration proceeding.

On May 11, 2011, CCI answered Levco's suit with a general denial and asserted the affirmative defenses that a valid contract precluded Levco's quantum meruit claims, that CCI had paid Levco under the Construction Contract, that Levco failed to meet all conditions precedent to payment under the Construction Contract, that CCI was entitled to the defenses of “excuse” and “justification,” and that Levco lacked standing to assert its claims against CCI, had failed to state a claim for which relief can be granted, and was the first to breach the Construction Contract.

CCI alleged that Levco defaulted under the Construction Contract within a month after beginning the Project and that CCI issued notices of default on multiple dates following. CCI attached several of these notices to its answer. It also alleged that “Levco was upside down on the Project from the beginning and failed to pay its vendors and suppliers in a timely manner” and that “Levco's financial mismanagement caused numerous, unnecessary liens on the Project.” CCI also attached several notices from “lower tier” subcontractors claiming they had not been paid by Levco. This led CCI to terminate Levco from the Project in January 2011 and to notify the Surety of Levco's breach.

CCI alleged that the Surety elected its option under the terms of the Bond to arrange “for Levco to perform and complete its obligations under the Contract.” CCI argues that “[b]y selecting this option, [the Surety] undertook Levco's obligations under the Contract and CCI was to reciprocally perform its obligations directly to [the Surety] ... and, as required by the Performance Bond, any money currently owed by CCI must be paid to [the Surety], not Levco.” CCI also alleged that it agreed to 26 of the 31 change orders submitted by Levco and that it offered to pay the Surety the outstanding pay applications if Levco would execute a release, which Levco refused to do.

CCI also responded to Levco's application for a temporary injunction and moved to compel arbitration and to stay the trial court proceedings, or alternatively, to dismiss the trial court proceedings.

In its motion to compel arbitration, also filed on May 11, CCI argued that the arbitration clause between it and Levco was valid, that it was not illusory or in contravention of Texas state law, and that the dispute at issue fell within the scope of the agreement. CCI also argued that the FAA preempts Levco's claim based on [Business and Commerce Code section 272.001](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=1000168&DocName=TXBCS272.001&FindType=L). Levco responded that the arbitration clause was invalid and illusory and that it failed to survive termination of the Construction Contract.

On May 26, 2011, the Surety filed a plea in intervention, arguing that “mandatory jurisdiction and venue with respect to the claims and causes of action asserted by Intervenor against [CCI] herein properly lie in this Court pursuant to the express provisions of § 9” of the Bond. It likewise alleged that, after CCI terminated the Contract between itself and Levco, CCI called upon it, as Surety, to complete Levco's obligations pursuant to the Bond. The Surety alleged that it elected to utilize Levco to continue performance of the subcontract work with the Surety itself advancing Levco's payroll and certain of its overhead expenses, as provided in section 4.1 of the Bond. In exchange, CCI agreed to pay to the Surety “all remaining monies due and owing or to become due and owing under the Levco Subcontract Agreement,” in accordance with section 6 of the Bond.

The Surety alleged that CCI subsequently breached this agreement by failing to make those payments. It alleged that it had expended $983,790.49 and that “under the express provisions of Levco's General Indemnity Agreement and pursuant to [its] common law rights to indemnity and equitable subrogation, [the Surety] has a superior lien upon and is entitled to payment directly from CCI on any and all contract sums or compensatory damages adjudged by this Court to be due and owing ... to Levco and/or [the Surety].”

On May 27, 2011, the trial court granted Levco's emergency motion to stay the arbitration proceeding initiated by CCI. This appeal followed.

**Analysis**

CCI argues that the trial court erred in denying its motion to compel arbitration because the FAA applies, the arbitration provision in the Construction Contract is valid, and the claims in the case are within the scope of the arbitration provision. It also argues that the FAA preempts any conflicting state law. Levco, however, argues that the arbitration provision in the Construction Contract is illusory and, therefore, unenforceable as a matter of law; that the Construction Contract was terminated and the arbitration provision does not contain a survival clause that would allow it to survive termination of the contract; and that [Business and Commerce Code section 272.001](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=1000168&DocName=TXBCS272.001&FindType=L) is not preempted by the FAA because it restricts venue, rather than restricting a party's right to arbitrate.

**A. Jurisdiction**

We first address our jurisdiction to review the trial court's order staying the arbitration proceedings. [Civil Practice and Remedies Code section 51.016](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=1000170&DocName=TXCPS51.016&FindType=L) provides:

In a matter subject to the Federal Arbitration Act ([9 U.S.C. Section 1 et seq.](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=1000546&DocName=9USCAS1&FindType=L)), a person may take an appeal or writ of error to the court of appeals from the judgment or interlocutory order of a district court, county court at law, or county court under the same circumstances that an appeal from a federal district court's order or decision would be permitted by [9 U.S.C. Section 16](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=1000546&DocName=9USCAS16&FindType=L).

[TEX. CIV. PRAC. & REM.CODE ANN. § 51.016](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=1000170&DocName=TXCPS51.016&FindType=L) (Vernon Supp. 2011). [Section 16](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=1000546&DocName=9USCAS16&FindType=L) of the FAA, “Appeals,” provides:

(a) An appeal may be taken from—

(1) an order—

(A) refusing a stay of any action under section 3 of this title [stay of trial proceedings where issue therein is referable to arbitration],

(B) denying a petition under section 4 of this title to order arbitration to proceed, [or]

(C) denying an application under section 206 of this title to compel arbitration....

(2) an interlocutory order granting, continuing, or modifying an injunction against an arbitration that is subject to this title; or

(3) a final decision with respect to an arbitration that is subject to this title.

(b) Except as otherwise provided in section 1292(b) of title 28, an appeal may not be taken from an interlocutory order—

(1) granting a stay of any action under section 3 of this title;

(2) directing arbitration to proceed under section 4 of this title;

(3) compelling arbitration under section 206 of this title; or

(4) refusing to enjoin an arbitration that is subject to this title.

[9 U.S.C. § 16 (2006)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=1000546&DocName=9USCAS16&FindType=L).

[[1]](#Document1zzF12026939094) Thus, an interlocutory appeal is permitted in this case only if it would be permitted under the same circumstances under [section 16](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=1000546&DocName=9USCAS16&FindType=L) of the FAA in federal court. *See* [*CMH Homes v. Perez,* 340 S.W.3d 444, 448–49 (Tex.2011)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=4644&FindType=Y&ReferencePositionType=S&SerialNum=2025372823&ReferencePosition=448). The United States Supreme Court has held that the FAA “generally permits immediate appeal of orders hostile to arbitration.” [*Green Tree Fin. Corp.-Ala. v. Randolph,* 531 U.S. 79, 86, 121 S.Ct. 513, 519, 148 L.Ed.2d 373 (2000)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=708&FindType=Y&ReferencePositionType=S&SerialNum=2000639653&ReferencePosition=519). Several circuit courts have held that the FAA permits interlocutory review of an order staying arbitration. [*Arciniaga v. Gen. Motors Corp.,* 460 F.3d 231, 234 (2nd Cir.2006)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=506&FindType=Y&ReferencePositionType=S&SerialNum=2009685077&ReferencePosition=234) (holding FAA subsection 16(a)(2) permits interlocutory review of stay of arbitration); [*KKW Enters., Inc. v. Gloria Jean's Gourmet Coffees Franchising Corp.,* 184 F.3d 42, 47 (1st Cir.1999)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=506&FindType=Y&ReferencePositionType=S&SerialNum=1999165853&ReferencePosition=47) (holding that order staying pending arbitration was immediately appealable as injunction under both [28 U.S.C. § 1292(a)(1)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=1000546&DocName=28USCAS1292&FindType=L&ReferencePositionType=T&ReferencePosition=SP_7b9b000044381) and FAA [section 16(a)(2)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=1000546&DocName=9USCAS16&FindType=L&ReferencePositionType=T&ReferencePosition=SP_d86d0000be040)); [*Se. Res. Recovery Facility Auth. v. Montenay Int'l Corp.,* 973 F.2d 711, 712 (9th Cir.1992)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=350&FindType=Y&ReferencePositionType=S&SerialNum=1992146759&ReferencePosition=712) (holding it had jurisdiction over district court's order staying arbitration pursuant to [section 16(a)(2)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=1000546&DocName=9USCAS16&FindType=L&ReferencePositionType=T&ReferencePosition=SP_d86d0000be040) allowing appeal from an order enjoining arbitration). Furthermore, the Fifth Circuit has held that an order granting a stay of arbitration is appealable pursuant to [28 U.S.C. § 1292(a)(1)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=1000546&DocName=28USCAS1292&FindType=L&ReferencePositionType=T&ReferencePosition=SP_7b9b000044381), governing appeals of interlocutory orders involving injunctions generally. *See* [*Tai Ping Ins. Co. v. M/V Warschau,* 731 F.2d 1141, 1143 (5th Cir.1984)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=350&FindType=Y&ReferencePositionType=S&SerialNum=1984120392&ReferencePosition=1143).

**B. Standard of Review**

Prior to September 1, 2009, an order denying a motion to compel arbitration under the FAA was reviewed in a mandamus proceeding using an abuse of discretion standard. [*In re Merrill Lynch & Co.,* 315 S.W.3d 888, 890–91 & n. 3 (Tex.2010)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=4644&FindType=Y&ReferencePositionType=S&SerialNum=2022384709&ReferencePosition=890) (orig. proceeding); [*Jack B. Anglin Co. v. Tipps,* 842 S.W.2d 266, 272–73 (Tex.1992)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=713&FindType=Y&ReferencePositionType=S&SerialNum=1992198291&ReferencePosition=272) (orig. proceeding). The Texas Supreme Court held that the abuse of discretion standard, as applied to such orders, required reviewing courts to defer to the trial court's factual determinations if they are supported by the evidence and to review the trial court's legal determinations de novo. [*In re Labatt Food Serv., L.P.,* 279 S.W.3d 640, 643 (Tex.2009)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=4644&FindType=Y&ReferencePositionType=S&SerialNum=2018139446&ReferencePosition=643) (orig. proceeding). This is the same standard by which we review interlocutory appeals of orders denying motions to compel arbitration under the Texas Arbitration Act (“TAA”). *See* [*McReynolds v. Elston,* 222 S.W.3d 731, 739 (Tex.App.-Houston [14th Dist.] 2007, no pet.)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=4644&FindType=Y&ReferencePositionType=S&SerialNum=2011975559&ReferencePosition=739) (holding, under TAA, “we review factual conclusions under a legal sufficiency or ‘no evidence’ standard and legal conclusions de novo”); *see also* [*In re Trammell,* 246 S.W.3d 815, 820 (Tex.App.-Dallas 2008, no pet.)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=4644&FindType=Y&ReferencePositionType=S&SerialNum=2015343522&ReferencePosition=820) (orig. proceeding) (holding same).

[Civil Practice and Remedies Code section 51.016](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=1000170&DocName=TXCPS51.016&FindType=L) now permits an order denying a motion to compel arbitration under the FAA to be reviewed via interlocutory appeal. [TEX. CIV. PRAC. & REM.CODE ANN. § 51.016](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=1000170&DocName=TXCPS51.016&FindType=L). Neither this Court nor the Texas Supreme Court has addressed the appropriate standard of review for such interlocutory appeals. However, various courts of appeals have considered this issue and held that interlocutory appeals of orders denying motions to compel arbitration should be reviewed under the abuse of discretion standard, in which we defer to the trial court's factual determinations and review questions of law de novo. *See* [*Garcia v. Huerta,* 340 S.W.3d 864, 868–69 (Tex.App.-San Antonio 2011, pet. filed)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=4644&FindType=Y&ReferencePositionType=S&SerialNum=2024900026&ReferencePosition=868); [*SEB, Inc. v. Campbell,* No. 03–10–00375–CV, 2011 WL 749292, at \*2 (Tex.App.-Austin Mar. 2, 2011, no pet.)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=0000999&FindType=Y&SerialNum=2024722231) (mem. op.); [*Sidley Austin Brown & Wood, LLP v. J.A. Green Dev. Corp.,* 327 S.W.3d 859, 862–63 (Tex.App.-Dallas 2010, no pet.)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=4644&FindType=Y&ReferencePositionType=S&SerialNum=2023637310&ReferencePosition=862); *see also* [*Torster v. Panda Energy Mgmt., LP,* No. 07–10–0442–CV, 2011 WL 780522, at \*2 (Tex.App.-Amarillo Mar. 7, 2011, pet. filed)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=0000999&FindType=Y&SerialNum=2024736830) (mem. op) (citing [*Sidley, Austin, Brown & Wood*](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&FindType=Y&SerialNum=2023637310) in holding that whether trial court erred in denying motion to compel arbitration “depends on whether it abused its discretion”).

[[2]](#Document1zzF22026939094) Thus, in reviewing an order denying a motion to compel arbitration under the FAA, we give deference to the trial court's factual determinations that are supported by evidence and we review de novo its legal conclusions.

[[3]](#Document1zzF32026939094)[[4]](#Document1zzF42026939094) A party seeking to compel arbitration under the FAA must establish that there is a valid arbitration agreement and that the claims raised fall within that agreement's scope. [*In re Kellogg Brown & Root, Inc.,* 166 S.W.3d 732, 737 (Tex.2005)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=4644&FindType=Y&ReferencePositionType=S&SerialNum=2006636812&ReferencePosition=737) (orig. proceeding); [*J.M. Davidson, Inc. v. Webster,* 128 S.W.3d 223, 227 (Tex.2003)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=4644&FindType=Y&ReferencePositionType=S&SerialNum=2004043787&ReferencePosition=227). If the trial court finds a valid agreement, the burden shifts to the party opposing arbitration to raise an affirmative defense to enforcing arbitration. [*J.M. Davidson,* 128 S.W.3d at 227.](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=4644&FindType=Y&ReferencePositionType=S&SerialNum=2004043787&ReferencePosition=227) The trial court's determination as to the validity of an arbitration agreement is a legal determination that we review de novo. [*Id.*](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&FindType=Y&SerialNum=2004043787)

[[5]](#Document1zzF52026939094)[[6]](#Document1zzF62026939094)[[7]](#Document1zzF72026939094) Under the FAA, ordinary principles of state contract law determine whether there is a valid agreement to arbitrate. [*Kellogg Brown & Root,* 166 S.W.3d at 738.](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=4644&FindType=Y&ReferencePositionType=S&SerialNum=2006636812&ReferencePosition=738) Although there is a strong presumption favoring arbitration, that presumption arises only after the party seeking to compel arbitration proves that a valid arbitration agreement exists. [*J.M. Davidson,* 128 S.W.3d at 227.](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=4644&FindType=Y&ReferencePositionType=S&SerialNum=2004043787&ReferencePosition=227) Because arbitration is contractual in nature, the FAA generally does not require parties to arbitrate when they have not agreed to do so. [*Kellogg Brown & Root,* 166 S.W.3d at 738](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=4644&FindType=Y&ReferencePositionType=S&SerialNum=2006636812&ReferencePosition=738) (quoting [*Volt Info. Scis., Inc. v. Bd. of Trs. of Leland Stanford Junior Univ.,* 489 U.S. 468, 478–79, 109 S.Ct. 1248, 1255, 103 L.Ed.2d 488 (1989)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=708&FindType=Y&ReferencePositionType=S&SerialNum=1989032283&ReferencePosition=1255)).

**C. Determination of Existence of Valid Agreement to Arbitrate**

CCI argues that the arbitration clause in the Construction Contract is a valid and binding agreement to arbitrate. Levco, however, argues that it is illusory and unenforceable as a matter of law. Levco also argues that, even if the agreement to arbitrate in the Construction Contract is not illusory, the arbitration agreement in the Construction Contract does not contain a survival clause that would allow it to survive termination of the contract.[FN1](#Document1zzB00112026939094)

[FN1.](#Document1zzF00112026939094) Levco's appellate brief mentions in passing that the dispute resolution provision in the Bond conflicts with the terms of the Construction Contract. However, it cites no authority and provides no legal analysis on this issue. Therefore, to the extent Levco is attempting to argue that the terms of the Bond prevent arbitration of its dispute with CCI over the claims arising from the Construction Contract, that issue is waived for lack of briefing. *See* TEX.R.APP. P. 38.1(i) (requiring that appellate “brief must contain a clear and concise argument for the contention made, with appropriate citations to authorities” for party to assert issue on appeal); [*Brown v. Hearthwood II Owners Ass'n.,* 201 S.W.3d 153, 161 (Tex.App.-Houston [14th Dist.] 2006, pet. denied)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=4644&FindType=Y&ReferencePositionType=S&SerialNum=2009252684&ReferencePosition=161) (holding argument can be waived for failure to adequately brief).

Levco also argues that the Surety is a necessary party to any arbitration proceeding. However, the Surety is not before this Court as a party to the appeal, nor was it a party to the motion to stay arbitration in the trial court. Thus, we are not called upon to consider the Surety's obligations or rights regarding arbitration.

[[8]](#Document1zzF82026939094)[[9]](#Document1zzF92026939094)[[10]](#Document1zzF102026939094) In determining the validity of agreements to arbitrate that are subject to the FAA, we generally apply ordinary state contract law principles. [*In re Palm Harbor Homes, Inc.,* 195 S.W.3d 672, 676 (Tex.2006)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=4644&FindType=Y&ReferencePositionType=S&SerialNum=2009321224&ReferencePosition=676) (orig. proceeding). The elements of a valid contract are (1) an offer, (2) an acceptance, (3) a meeting of the minds, (4) each party's consent to the terms, and (5) execution and delivery of the contract with the intent that it be mutual and binding. [*Prime Prods., Inc. v. S.S.I. Plastics, Inc.,* 97 S.W.3d 631, 636 (Tex.App.-Houston [1st Dist.] 2002, pet. denied)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=4644&FindType=Y&ReferencePositionType=S&SerialNum=2003077867&ReferencePosition=636). “Under generally accepted principles of contract interpretation, all writings that pertain to the same transaction will be considered together, even if they were executed at different times and do not expressly refer to one another.” [*DeWitt Cnty. Elec. Coop., Inc. v. Parks,* 1 S.W.3d 96, 102 (Tex.1999)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=4644&FindType=Y&ReferencePositionType=S&SerialNum=1999157581&ReferencePosition=102); [*IP Petroleum Co. v. Wevanco Energy, L.L.C.,* 116 S.W.3d 888, 889 (Tex.App.-Houston [1st Dist.] 2003, pet. denied)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=4644&FindType=Y&ReferencePositionType=S&SerialNum=2003633330&ReferencePosition=889) (“Instruments pertaining to the same transaction may be read together to ascertain the parties' intent, even if the parties executed the instruments at different times.”) (citing [*Fort Worth Indep. Sch. Dist. v. City of Fort Worth,* 22 S.W.3d 831, 840 (Tex.2000)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=4644&FindType=Y&ReferencePositionType=S&SerialNum=2000306538&ReferencePosition=840)); *see also* [*DeClaire v. G & B McIntosh Family Ltd. P'Ship,* 260 S.W.3d 34, 44 (Tex.App.-Houston [1st Dist.] 2008, no pet.)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=4644&FindType=Y&ReferencePositionType=S&SerialNum=2015968139&ReferencePosition=44) (holding that contract can be effective if signed by only one party if other party accepts by his acts, conduct, or acquiescence in the terms of the contract).

CCI presented the Construction Contract, which provides, in part:

Any controversy or claims of CCI against Subcontractor [Levco] or Subcontractor against CCI shall, at the option of CCI, be resolved by arbitration pursuant to the Construction Industry Arbitration Rules of the American Arbitration Association in effect on the date on which the demand for arbitration is made. Any such arbitration shall be held in Lake County, Ohio.

CCI argues that this is a valid arbitration agreement. However, Levco argues, both here and in the trial court, that the arbitration agreement in the Construction Contract is not valid because it is illusory.[FN2](#Document1zzB00222026939094)

[FN2.](#Document1zzF00222026939094) CCI argues that we cannot consider Levco's arguments concerning termination of the agreement and subsequent performance under the terms of the Bond because it was not expressly presented to the trial court. This argument is unpersuasive. When, as here, no findings of fact and conclusions of law are filed by the trial court, we must affirm the trial court's order if any legal theory supports it. [*Rachal v. Reitz,* 347 S.W.3d 305, 308 (Tex.App.-Dallas 2011, pet. filed)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=4644&FindType=Y&ReferencePositionType=S&SerialNum=2025759164&ReferencePosition=308). Levco, CCI, and the Surety all informed the trial court of the January 2011 termination by CCI and of the subsequent arrangements under the terms of the Bond, so the trial court was aware of this information.

**D. Analysis of Levco's Claims that Abritration Provision is Illusory**

[[11]](#Document1zzF112026939094)[[12]](#Document1zzF122026939094)[[13]](#Document1zzF132026939094) “A promise is illusory if it does not bind the promisor, such as when the promisor retains the option to discontinue performance.” [*In re 24R, Inc.,* 324 S.W.3d 564, 567 (Tex.2010)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=4644&FindType=Y&ReferencePositionType=S&SerialNum=2023450431&ReferencePosition=567) (orig. proceeding) (per curiam); *see also* [*J.M. Davidson,* 128 S.W.3d at 235](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=4644&FindType=Y&ReferencePositionType=S&SerialNum=2004043787&ReferencePosition=235) (Schneider, J., dissenting) (“[I]f the terms of a promise make performance optional, the promise is illusory and cannot constitute valid consideration.”). Arbitration agreements must be supported by consideration, or mutuality of obligation, to be enforceable. [*Palm Harbor Homes,* 195 S.W.3d at 676;](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=4644&FindType=Y&ReferencePositionType=S&SerialNum=2009321224&ReferencePosition=676) [*Dorfman v. Max Int'l, LLC,* No. 05–10–00776–CV, 2011 WL 1680070, at \*2 (Tex.App.-Dallas May 5, 2011, no pet.)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=0000999&FindType=Y&SerialNum=2025232086) (mem. op.).

[[14]](#Document1zzF142026939094) In the context of stand-alone arbitration agreements, binding promises are required on both sides as they are the only consideration rendered to create a contract. [*In re AdvancePCS Health L.P.,* 172 S.W.3d 603, 607 (Tex.2005)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=4644&FindType=Y&ReferencePositionType=S&SerialNum=2006469229&ReferencePosition=607) (orig. proceeding) (per curiam); [*Dorfman,* 2011 WL 1680070, at \*2.](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=999&FindType=Y&SerialNum=2025232086) When, however, an arbitration clause is part of an underlying contract, the rest of the parties' agreement provides the consideration. [*AdvancePCS Health,* 172 S.W.3d at 607;](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=4644&FindType=Y&ReferencePositionType=S&SerialNum=2006469229&ReferencePosition=607) *see* [*Palm Harbor Homes,* 195 S.W.3d at 676–77](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=4644&FindType=Y&ReferencePositionType=S&SerialNum=2009321224&ReferencePosition=676).

Here, the plain language of the arbitration provision does not mutually bind the parties because arbitration is “at the option of CCI.” However, this arbitration provision does not stand alone—it is part of an underlying contract. Thus, consideration, or the presence of mutual obligation, is provided by the underlying contract. *See* [*AdvancePCS Health,* 172 S.W.3d at 607](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=4644&FindType=Y&ReferencePositionType=S&SerialNum=2006469229&ReferencePosition=607).

Levco seems to argue that the underlying contract does not provide any consideration for the arbitration provision because it, too, permits CCI to terminate, suspend, or modify its terms at its sole discretion, without notice. Levco's reliance on those provisions of the Construction Contract is misplaced. The modification provision's plain language does not state that CCI is the only party that can modify the agreement—it provides only that any modifications must be signed by CCI's representative to be effective. Furthermore, while the Construction Contract provides that termination or suspension will be “at the sole option and convenience to CCI,” the contract also provides that CCI must pay for work and materials already purchased at the time it gives notice of such termination or suspension. Thus, the parties are bound by mutual obligations and the agreement is not illusory.

**E. Analysis of Levco's Termination and Savings Clause Argument**

Levco also argues that CCI is complaining of work primarily completed after CCI terminated the Construction Contract and that the dispute resolution clause in the Construction Contract cannot survive the termination because it did not contain a savings clause.

[[15]](#Document1zzF152026939094) “[A]n arbitration agreement contained within a contract survives the termination or repudiation of the contract as a whole.” [*Henry v. Gonzalez,* 18 S.W.3d 684, 690 (Tex.App.-San Antonio 2000, pet. dism'd)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=4644&FindType=Y&ReferencePositionType=S&SerialNum=2000041532&ReferencePosition=690) (relying, in context of TAA, on line of reasoning that agreement to arbitrate contained in written contract is separable from entire contract); *see also* [*In re Koch Indus., Inc.,* 49 S.W.3d 439, 445 (Tex.App.-San Antonio 2001, orig. proceeding)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=4644&FindType=Y&ReferencePositionType=S&SerialNum=2001321926&ReferencePosition=445) (holding same in context of FAA). Thus, a savings clause was not required for the arbitration provision in the Construction Contract to survive any termination by CCI.

[[16]](#Document1zzF162026939094) To the extent that Levco is attempting to argue that the dispute between the parties does not fall within the scope of the arbitration provision in the Construction Contract because some of the dispute between itself and CCI arose from work that was completed after CCI terminated the Construction Contract, this is also unavailing. The terms of the Bond expressly incorporate the terms of the Construction Contract. Section 4.1, the provision invoked by the Surety, allows it to “[a]rrange from the Contractor [Levco] ... to perform and complete the Construction Contract.” Section 6 of the Bond further states that if the Surety elects to act under section 4.1, “the responsibilities of the Surety to the Owner [CCI] shall not be greater than those of the Contractor under the Construction Contract, and the responsibilities of the Owner to the Surety shall not be greater than those of the Owner under the Construction Contract.” Thus, the terms of the Bond expressly provided for Levco to complete the work under the terms of the Construction Contract even after CCI's termination of the contract.

We conclude that CCI proved, as a matter of law, the existence of a valid arbitration agreement and that the claims between it and Levco fall within the scope of that agreement. Thus, CCI is entitled to arbitrate these claims, and the trial court abused its discretion in refusing to enforce the arbitration proceedings. *See, e.g.,* [*Jack B. Anglin Co.,* 842 S.W.2d at 272–73](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=713&FindType=Y&ReferencePositionType=S&SerialNum=1992198291&ReferencePosition=272) (recognizing, prior to enactment of [Civil Practice and Remedies Code section 51.016](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=1000170&DocName=TXCPS51.016&FindType=L), appropriateness of mandamus relief “[w]hen a Texas court enforces or refuses to enforce an arbitration agreement pursuant to the [FAA]” because that party “would be deprived of the benefits of the arbitration clause it contracted for, and the purpose of providing a rapid, inexpensive alternative to traditional litigation would be defeated”); *see also* [*In re Bruce Terminix Co.,* 988 S.W.2d 702, 704 (Tex.1998)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=713&FindType=Y&ReferencePositionType=S&SerialNum=1998120346&ReferencePosition=704) (orig. proceeding) (holding there is no adequate remedy by appeal for denial of right to arbitration “because the very purpose of arbitration is to avoid the time and expense of a trial and appeal”).

**FAA Preemption of State Law Venue Provision**

Finally, Levco argues that we should “affirm the trial court's denial of [CCI's] Motion to Compel because the [Texas Business and Commerce Code section 272.001](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=1000168&DocName=TXBCS272.001&FindType=L) prohibits compelling Levco to arbitration in Lake County, Ohio and is not preempted by the [FAA].” It argues that the arbitration must take place in Harris County.

[Business and Commerce Code section 272.001](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=1000168&DocName=TXBCS272.001&FindType=L) provides:

If a contract contains a provision making the contract or any conflict arising under the contract subject to another state's law, litigation in the courts of another state, or arbitration in another state, that provision is voidable by the party obligated by the contract to perform the construction or repair.

[TEX. BUS. & COM.CODE ANN. § 272.001(b)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=1000168&DocName=TXBCS272.001&FindType=L&ReferencePositionType=T&ReferencePosition=SP_a83b000018c76) (Vernon 2006). Levco argues in its appellate brief that it “exercised its option to void the requirement in the Contract to arbitrate in Lake County, Ohio” and, “[a]s a result, the trial court properly denied [CCI's] motion to compel arbitration in Lake County, Ohio.” It further argues that if this Court narrowly construes the word “provision” to mean only the choice of venue rather than the arbitration clause as a whole, this statute would not fall under the FAA's preemption provision.

[[17]](#Document1zzF172026939094)[[18]](#Document1zzF182026939094)[[19]](#Document1zzF192026939094) The FAA preempts all otherwise applicable inconsistent state laws, including any inconsistent provisions of the TAA, under the Supremacy Clause of the United States Constitution. U.S. CONST. art. VI; *see* [*Allied–Bruce Terminix Co. v. Dobson,* 513 U.S. 265, 272, 115 S.Ct. 834, 838, 130 L.Ed.2d 753 (1995)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=708&FindType=Y&ReferencePositionType=S&SerialNum=1995030814&ReferencePosition=838). The FAA declares written provisions for arbitration “valid, irrevocable, and enforceable, save upon such grounds as exist at law or in equity for the revocation of any contract.” [9 U.S.C. § 2 (2006)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=1000546&DocName=9USCAS2&FindType=L); [*OPE Int'l LP v. Chet Morrison Contractors, Inc.,* 258 F.3d 443, 446 (5th Cir.2001)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=506&FindType=Y&ReferencePositionType=S&SerialNum=2001602711&ReferencePosition=446). “In enacting [§ 2](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=1000546&DocName=9USCAS2&FindType=L) of the [FAA], Congress declared a national policy favoring arbitration and withdrew the power of the states to require a judicial forum for the resolution of claims which the contracting parties agreed to resolve by arbitration.” [*OPE Int'l,* 258 F.3d at 446](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=506&FindType=Y&ReferencePositionType=S&SerialNum=2001602711&ReferencePosition=446) (quoting [*Southland Corp. v. Keating,* 465 U.S. 1, 10, 104 S.Ct. 852, 79 L.Ed.2d 1 (1984)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=708&FindType=Y&SerialNum=1984104100) and [*Moses H. Cone Mem'l Hosp. v. Mercury Constr. Corp.,* 460 U.S. 1, 24, 103 S.Ct. 927, 941, 74 L.Ed.2d 765 (1983)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=708&FindType=Y&ReferencePositionType=S&SerialNum=1983109286&ReferencePosition=941) (“[Section 2](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=1000546&DocName=9USCAS2&FindType=L) is a congressional declaration of a liberal federal policy favoring arbitration agreements, notwithstanding any state substantive or procedural policies to the contrary.”)).

In [*OPE International,*](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&FindType=Y&SerialNum=2001602711) the Fifth Circuit held that a Louisiana provision invalidating arbitration of certain disputes out-of-state was preempted by the FAA, on the ground that the statute “condition[ed] the enforceability of arbitration agreements on selection of a Louisiana forum; a requirement not applicable to contracts generally.” [*Id.* at 447;](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&FindType=Y&SerialNum=2001602711) *see also* [*Commerce Park at DFW Freeport v. Mardian Constr. Co.,* 729 F.2d 334, 337 (5th Cir.1984)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=350&FindType=Y&ReferencePositionType=S&SerialNum=1984115051&ReferencePosition=337) (holding that FAA preempted provisions in Texas Deceptive Trade Practices Act that required parties to submit to judicial forum).

We hold that the same reasoning applies here. Applying [section 272.001](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=1000168&DocName=TXBCS272.001&FindType=L) as Levco asks us to do here would prevent us from enforcing a term of the parties' arbitration agreement—the venue—on a ground that is not recognized by the FAA or by general state-law contract principles. *See* [*OPE Int'l,* 258 F.3d at 447;](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=506&FindType=Y&ReferencePositionType=S&SerialNum=2001602711&ReferencePosition=447) *see also* [*KKW Enters., Inc.,* 184 F.3d at 50](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=506&FindType=Y&ReferencePositionType=S&SerialNum=1999165853&ReferencePosition=50) (“The venue in which arbitration is to take place is a ‘term’ of the parties' arbitration agreement.”). We hold that the FAA preempts application of this provision under the facts of this case.

Levco argues that this case is distinguishable from [*OPE International*](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&FindType=Y&SerialNum=2001602711) because the Louisiana provision in [*OPE International*](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&FindType=Y&SerialNum=2001602711) “declare [d] null and void and unenforceable” any non-Louisiana venue provision, while [section 272.001](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=1000168&DocName=TXBCS272.001&FindType=L) declares such provisions only “voidable.” However, by allowing a party to subsequently declare void a previously bargained-for provision, application of [section 272.001](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=1000168&DocName=TXBCS272.001&FindType=L) would undermine the declared federal policy of rigorous enforcement of arbitration agreements. *See* [*Perry v. Thomas,* 482 U.S. 483, 490, 107 S.Ct. 2520, 2526, 96 L.Ed.2d 426 (1987)](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=708&FindType=Y&ReferencePositionType=S&SerialNum=1987074413&ReferencePosition=2526) (analyzing [section 2](http://www.westlaw.com/Find/Default.wl?rs=dfa1.0&vr=2.0&DB=1000546&DocName=9USCAS2&FindType=L) and holding that it embodies Congress' intent to provide for enforcement of arbitration agreements within full reach of the Commerce Clause” and that “[i]t's general applicability reflects that the preeminent concern of Congress ... was to enforce private agreements into which parties had entered”).

**Conclusion**

We reverse the order of the trial court and remand the case for further proceedings consistent with this opinion.