

UNITED STATES COURT OF APPEALS

FOR THE SECOND CIRCUIT

August Term, 2010

(Argued: May 27, 2011 Decided: March 29, 2012)

Docket Nos. 08-4483-cv, 08-4525-cv, 08-4528-cv, 08-5108-cv, 08-
5273-cv, 08-5290-cv

LOUIS VUITTON MALLETIER S.A.,

Plaintiff-Appellee,

- v -

LY USA, INC., COCO USA INC., CHONG LAM, MARCO LEATHER GOODS,
LTD., JOYCE CHAN,

Defendants-Cross Claimants-Cross Defendants-Appellants.

Before: SACK, LIVINGSTON, and LYNCH, Circuit Judges.

Appeal from a judgment of the United States District
Court for the Southern District of New York, Alvin K.
Hellerstein, Judge, granting summary judgment to the plaintiff on
its claims of trademark counterfeiting and infringement, and
awarding the plaintiff statutory damages in the amount of
\$3 million, and more than \$500,000 in attorney's fees and costs.
The defendants base their appeal of the judgment on the
counterfeiting and infringement claims primarily on the district
court's denial of a stay of the action pending the resolution of
a related criminal proceeding. They also appeal from the award
of attorney's fees to the plaintiff under 15 U.S.C. § 1117. We

1 conclude that the district court did not abuse its discretion in
2 declining to stay the proceedings; that, as the district court
3 concluded, an award of attorney's fees under 15 U.S.C. § 1117(a)
4 may accompany an award of statutory damages pursuant to 15 U.S.C.
5 § 1117(c); and that the district court did not abuse its
6 discretion in awarding such fees or in setting their amount.

7 The judgment of the district court is affirmed.

8
9 ANGELO RIOS (Mark N. Antar, on the
10 brief), Cheven, Keely & Hatzis, New
11 York, NY, for Defendants-Cross
12 Claimants-Cross Defendants-Appellants
13 CoCo USA Inc. and Joyce Chan.

14 JOHN K. ZWERLING (Michael G. Dowd, Law
15 Offices of Michael G. Dowd, New York,
16 NY; Kathleen C. Waterman, Thomas Torto,
17 Law Offices of Kathleen C. Waterman, New
18 York, NY, on the brief) Zwerling, Leibig
19 & Moseley, P.C., Alexandria, VA, for
20 Defendants-Cross Claimants-Cross
21 Appellants Chong Lam, LY USA Inc., and
22 Marco Leather Goods, Ltd.

23 MICHAEL J. ALLAN (William G. Pecau, on
24 the brief), Steptoe & Johnson LLP,
25 Washington, DC, for Plaintiff-Appellee
26 Louis Vuitton Malletier.

27
28 SACK, Circuit Judge:

29 The defendants -- LY USA, Inc., CoCo USA Inc., Marco
30 Leather Goods, Ltd., Chong Lam, and Joyce Chan -- appeal from
31 judgments entered September 2, 2008, and October 15, 2008, in the
32 United States District Court for the Southern District of New
33 York (Alvin K. Hellerstein, Judge) granting summary judgment to
34 the plaintiff Louis Vuitton Malletier S.A. ("Louis Vuitton" or
35 "Vuitton") on its claims of trademark counterfeiting and

1 infringement, and awarding Vuitton statutory damages in the
2 amount of \$3 million, and more than \$500,000 in attorney's fees¹
3 and costs.

4 The defendants appeal from five separate decisions of
5 the district court: (1) the grant of summary judgment on the
6 trademark counterfeiting and infringement claims; (2) the award
7 of statutory damages; (3) the denial of the defendants' motion to
8 adjourn oral argument to permit the defendants to examine
9 purportedly new evidence; (4) the denial of the defendants'
10 motion to stay the proceeding pending the outcome of a related
11 criminal proceeding; and (5) the grant of attorney's fees in
12 addition to statutory damages. We affirm the judgment of the
13 district court on the first three of these issues by a summary
14 order filed today. This opinion addresses only the denial of the
15 motion for a stay and the award of attorney's fees.

16 The defendants argue that the district court erred in
17 denying the requested stay because the court did not give
18 sufficient weight to the consequent impairment of the indicted
19 defendants' Fifth Amendment privilege against self-incrimination,
20 and because it failed to consider the practical difficulties

¹ We refer to such fees throughout this opinion as "attorney's fees," the term used in 15 U.S.C. § 1117(b), rather than the less commonly used "attorney fees," the term used in 15 U.S.C. § 1117(a), or the likely more accurate "attorneys' fees," see NAACP v. Town of E. Haven, 259 F.3d 113, 115 n.1 (2d Cir. 2001) ("Although the fees sought in this case are for multiple attorneys, we refer to them in the singular possessive, 'attorney's fees,' because that is the term used by [the statute in that case] for such awards.").

1 attendant on defending simultaneous criminal and civil
2 proceedings. The defendants also contend that the district court
3 lacked a statutory basis for awarding attorney's fees because
4 Louis Vuitton had elected to recover statutory damages, rather
5 than actual damages, under the Lanham Act, and that in any event
6 the attorney's fees were excessive.

7 We disagree with the contentions of the defendants. We
8 conclude that the district court did not abuse its discretion in
9 denying the stay. We also conclude that a plaintiff electing
10 statutory damages pursuant to 15 U.S.C. § 1117(c) may recover
11 attorney's fees pursuant to 15 U.S.C. § 1117(a), and that the
12 district court did not abuse its discretion either in awarding
13 attorney's fees and costs in this case or in determining their
14 amount.

15 **BACKGROUND**

16 This case is about an alleged large-scale trademark
17 counterfeiting operation conducted by the defendants Lam and Chan
18 and several companies that they either controlled or were
19 otherwise associated with. It involved the importation and sale
20 of counterfeit luxury goods bearing trademarks owned by Louis
21 Vuitton and others. After the conclusion of this civil case, the
22 defendants were convicted in the United States District Court for
23 the Eastern District of Virginia for their importation into the
24 United States and sale of more than 300,000 handbags, wallets,
25 and other products that resembled goods produced by Louis

1 Vuitton, Burberry, Coach, and other luxury goods manufacturers.²
2 Lam and Chan used a variety of companies, including defendants-
3 appellants LY USA. Inc., CoCo USA Inc., and Marco Leather Goods,
4 Ltd., to facilitate their operation. "Whenever [Customs and
5 Border Patrol ("CBP")] agents would identify one corporation as
6 an importer of counterfeit goods, Defendants would continue to
7 import goods into the same port, but under a different corporate
8 name. If Defendants believed CBP agents could identify them as
9 responsible for importing counterfeit goods into a port, they
10 would ship the goods to a different port." United States v. Lam,
11 No. 3:07-CR-374, 2010 WL 5178839, at *1, 2010 U.S. Dist. LEXIS
12 132126, at *3 (E.D. Va. Dec. 14, 2010). Goods allegedly imported
13 by the defendants were seized between August 2002 and January
14 2008 in Houston, Los Angeles, Newark, New York, Norfolk, and
15 elsewhere.

16 This civil case comprises claims by Louis Vuitton
17 against the defendants for the related counterfeiting and
18 infringement of their trademarks. The district court determined
19 that three of the defendants' collections infringed or were
20 counterfeit copies of five separate Louis Vuitton trademarks.
21 The court based its conclusion on testimony, adverse inferences
22 drawn from the failure of the corporate defendants to offer

² The details of the related criminal proceeding are rehearsed here for background purposes only. This Court may take judicial notice of any fact that "can be accurately and readily determined from sources whose accuracy cannot reasonably be questioned." Fed. R. Evid. 201(b)(2).

1 testimony, records of numerous customs seizures, and visual
2 evidence. Tr. of Oral Arg. on Summ. J. Mot. at 53, Louis Vuitton
3 Malletier S.A. v. LY USA Inc., et al., No. 06-cv-13463 (S.D.N.Y.
4 August 7, 2008)("Summ. J. Hr'g Tr.").

5 The Parties

6 Louis Vuitton is a French fashion house founded in
7 1854. It began selling its products in the United States in 1893.
8 Since 1987, it has been a part of LVMH Moët Hennessy, a publicly
9 traded corporation. Louis Vuitton manufactures and distributes
10 luxury consumer goods, including leather goods, designer luggage,
11 purses, handbags, leather travel accessories, jewelry, shoes, and
12 other high-end fashion apparel. Vuitton has registered with the
13 U.S. Patent and Trademark Office many trademarks, including its
14 well-known monogram logo, which consists of a stylized,
15 overlapping "L" and "V" (the "LV Logo Mark"). The company spends
16 millions of dollars each year to advertise and market its
17 trademarked goods in magazines, newspapers, catalogs, targeted
18 mailings, and on the Internet. See Louis Vuitton Malletier v.
19 Dooney & Bourke, Inc., 454 F.3d 108, 112 (2d Cir. 2006)
20 (describing Louis Vuitton's business model, trademarks, and
21 marketing expenditures); Louis Vuitton Malletier v. Burlington
22 Coat Factory Warehouse Corp., 426 F.3d 532, 534-35 (2d Cir. 2005)
23 (same); see also Louis Vuitton Malletier S.A. v. Haute Diggity
24 Dog, LLC, 507 F.3d 252, 257-58 (4th Cir. 2007) (same); Steven
25 Greenhouse, The Champagne of Mergers, NEW YORK TIMES D1 (June 4,
26 1987) (describing the merger of Moët-Hennessy and Louis Vuitton).

1 The defendants are LY USA, Inc., ("LY Inc.") a New York
2 corporation formed in 2003, which primarily produces and markets
3 "LY"-branded handbags and wallets; Marco Leather Goods, Ltd.,
4 ("Marco Ltd.") a New York corporation formed in 1999, which
5 imports "Marco"-branded handbags and wallets and sells them to
6 wholesale customers throughout the United States; and CoCo USA
7 Inc., ("CoCo Inc.") a New York corporation formed in 2003, which
8 is a wholesaler and distributor of handbags and leather goods.
9 LY Inc., Marco Ltd., and CoCo Inc. all operate out of the same
10 business address at 135 West 30th Street in Manhattan. The
11 defendant Lam is the president and owner of Marco Ltd.; the
12 defendant Chan is a manager and director of that company. Lam
13 and Chan are not married, but have two children together. CoCo
14 principally distributes goods imported by Marco, and sells them
15 through venues including a storefront location at 135 West 30th
16 Street. CoCo is owned by a member of Lam's family, and both Lam
17 and Chan are associated with the company. Lam is also a
18 shareholder, officer, and director of LY Inc. The goods imported
19 and sold by the defendants were manufactured at a factory in
20 China owned by Lam's family.

1 Louis Vuitton's Trademarks

2 Louis Vuitton owns many trademarks, some of which are
3 widely recognized. Five are at issue in this litigation: the LV
4 Logo Mark, three different geometric floral motifs (the "Flower
5 Design Marks"), and a composite pattern consisting of repetitions
6 of the LV Logo Mark centered inside the three Flower Design
7 Marks. Louis Vuitton has registered each of these marks with the
8 U.S. Patent and Trademark Office on the principal register, and
9 each has become "incontestable" as a result of its continuous use
10 in commerce for more than five years. See 15 U.S.C. § 1065
11 (governing incontestability); Dooney & Bourke, 454 F.3d at 112
12 (noting that these marks are incontestable).

13 The Civil Lawsuit

14 On November 22, 2006, Louis Vuitton filed this lawsuit
15 in the United States District Court for the Southern District of
16 New York alleging that the defendants sold counterfeit handbags
17 and travel apparel bearing infringing versions of Louis Vuitton's
18 marks to retail kiosks and specialty stores, and on the Internet
19 to both wholesale and retail customers. In its complaint,
20 Vuitton asserted claims for trademark counterfeiting, trademark
21 and service mark infringement, trademark dilution, and false
22 designation of origin forbidden by Sections 32 and 43 of the
23 Lanham Act, 15 U.S.C. §§ 1114, 1125(a), 1125(c);³ trademark

³ 15 U.S.C. § 1114(1)(a) makes civilly liable any person who uses a "reproduction, counterfeit, copy, or colorable imitation of a registered mark" without the consent of the registrant if "such use is likely to cause confusion, or to cause mistake, or to deceive." 15 U.S.C. § 1125(a) authorizes a civil action

1 infringement and unfair competition in violation of New York
2 State common law; and violations of New York General Business Law
3 §§ 349, 360-1.⁴

4 Louis Vuitton alleged that the defendants had supplied
5 tens of thousands of items bearing counterfeits and infringements
6 of the Louis Vuitton trademarks to wholesalers and retail kiosks
7 throughout the United States. Vuitton alleged that U.S. Customs
8 officials had seized tens of thousands of counterfeit handbags,
9 tote bags, cosmetic bags, and wallets imported by LY Inc. and
10 Marco Ltd. because those products infringed Louis Vuitton's
11 marks. Each of the defendants answered the plaintiff's complaint
12 and interposed cross-claims against one another for
13 indemnification and contribution.

14 After fruitless settlement discussions, discovery was
15 begun. Louis Vuitton's efforts were aimed at ascertaining the
16 scope of the defendants' counterfeiting and infringement in order
17 to determine the appropriate amount of damages to seek. The

against any person who uses "any word, term, name, symbol, or device" in a manner likely to deceive as to the origin of the product or the affiliation of the supplier. And 15 U.S.C. § 1125(c) permits the owner of a "famous mark" to seek injunctive relief against another person whose use of a mark "is likely to cause dilution by blurring or dilution by tarnishment of the famous mark."

⁴ Section 349 generally provides that deceptive acts or practices in the conduct of business are unlawful. N.Y. Gen. Bus. Law § 349 (McKinney 2011). Section 360-1 provides for injunctive relief where injury to business reputation or dilution of a registered mark is likely. Id. § 360-1.

1 first document production by the defendants in August 2007
2 resulted in the production of fewer than 40 pages. On September
3 25, 2007, Vuitton sent letters to all of the defendants outlining
4 what it said were deficiencies with their production and also
5 with contemporaneous interrogatory answers. Vuitton also asked
6 the district court to order the defendants to produce additional
7 documents and to complete and verify interrogatory answers no
8 later than the time of a status conference scheduled for
9 January 3, 2008.

10 On October 23, 2007, the parties sent a joint letter to
11 the district court noting that Louis Vuitton had noticed six
12 depositions, and had notified the defendants "of deficiencies
13 with their written discovery." Letter from Michael J. Allan,
14 Esq. et al., to Hon. Alvin K. Hellerstein at 1, Louis Vuitton
15 Malletier S.A. v. LY USA Inc., et al., No. 06-cv-13463 (S.D.N.Y.
16 Oct. 23, 2007), ECF No. 25. The parties requested a stay of
17 discovery pending a mediation before a magistrate judge. The
18 letter read, in part:

19 [T]he defendants have agreed to provide Louis
20 Vuitton with certain information sufficiently
21 in advance of mediation to help facilitate an
22 efficient and useful mediation.
23 Specifically, defendants will provide Louis
24 Vuitton with complete sales, inventory and
25 supplier information for all merchandise
26 Louis Vuitton contends is counterfeit and/or
27 infringing of its trademarks as well as any
28 other merchandise defendants may have
29 manufactured, imported or sold that bear
30 marks similar to or substantially
31 indistinguishable from Louis Vuitton's
32 trademarks.

33 Id. at 1.

1 On December 7, 2007, Louis Vuitton's counsel reported
2 to the court that the mediation had not been successful, and that
3 the defendants had not produced "complete 'sales, inventory and
4 supplier' information" in advance of the mediation as promised.
5 Letter from Michael J. Allan, Esq. to Hon. Alvin K. Hellerstein
6 at 1, Louis Vuitton Malletier S.A. v. LY USA Inc., et al., No.
7 06-cv-13463 (S.D.N.Y. Dec. 7, 2007), ECF No. 28 ("December 7
8 Discovery Letter"). Counsel requested an order compelling
9 discovery or a conference to address the outstanding discovery
10 issues. Id. at 2.

11 A status conference was then held on January 3 or 4,
12 2008, to address these disputes. No transcript or other record
13 of this proceeding was created.

14 On February 13, 2008, Lam and Chan jointly wrote to the
15 District Court notifying it that they had been arrested
16 elsewhere. They requested a stay of this lawsuit pending
17 resolution of the federal criminal proceedings because, counsel
18 said, in executing the search warrant at their business
19 headquarters on January 16 in connection with the criminal
20 proceedings, federal law enforcement officials had "remove[d]
21 computers, documents and other records as a well as a significant
22 amount of defendants' merchandise from the premises." Letter
23 from Angelo Rios, Esq., et al. to Hon. Alvin K. Hellerstein at 2,
24 Louis Vuitton Malletier S.A. v. LY USA Inc., et al., No. 06-cv-
25 13463 (S.D.N.Y. Feb. 13, 2008), ECF No. 30 ("February 13 Letter
26 Requesting Stay"). Counsel asserted that as a result, they "no

1 longer ha[d] access to the information, documents and other
2 things necessary to conduct meaningful discovery." Id. Counsel
3 also advised the court that "access to our clients will be
4 severely limited both by the constraints placed upon them by
5 their criminal defense attorneys as well as conditions imposed by
6 the Court with respect to their release from custody." Id. For
7 those reasons, the defendants argued, "it will be impossible . .
8 . to proceed with pretrial discovery in the instant action while
9 the criminal action is pending," and they therefore "request[ed]
10 that all proceedings . . . be stayed until conclusion of the
11 criminal action." Id.

12 Louis Vuitton responded with a letter opposing the
13 stay, arguing that the defendants "are using the criminal case
14 inappropriately as a shield against the civil case." Letter from
15 Michael J. Allan, Esq. to Hon. Alvin K. Hellerstein at 1, Louis
16 Vuitton Malletier S.A. v. LY USA Inc., et al., No. 06-cv-13463
17 (S.D.N.Y. Feb. 22, 2008) ("February 22 Letter Opposing Stay
18 Request"). Vuitton explained that at the early January
19 conference, the defendants had represented that they had "no
20 additional responsive documentation" and they had fully answered
21 the interrogatories. Id. at 3.

22 On March 3, 2008, in a one-page order, the district
23 court denied the defendants' motion for a stay. The court
24 considered the defendants' argument that the parallel criminal
25 proceeding -- as well as the seizure of the defendants'
26 documents, goods, and computers by law enforcement officials --

1 would "impede[] their ability to mount a defense to the civil
2 action, or to engage in meaningful pre-trial discovery." Order
3 Den. Mot. for Stay at 1, Louis Vuitton Malletier S.A. v. LY USA
4 Inc., et al., No. 06-cv-13463 (S.D.N.Y. March 8, 2008), ECF No.
5 31 ("Order Denying Motion for Stay"). The court noted Vuitton's
6 opposition to the stay on the grounds that the civil case had
7 been pending for more than a year; that any delay would hinder
8 the plaintiff's "need for prompt redress"; and that
9 "[c]onsiderable discovery already has been had." Id. The
10 district court then ruled:

11 Defendants' motion is denied. Plaintiff has
12 an interest in the prompt prosecution of its
13 case. Its trademark is valuable, and
14 counterfeit goods threaten the value of its
15 trademark and cut into sales. If there is
16 imposition involved, the court can deal with
17 such matters as and when there is threat of
18 imposition.

19 Id. at 1.

20 On March 25, 2008, defendants Lam and Marco Ltd. filed
21 a motion for reconsideration of their request for a stay. They
22 then argued for the first time that they and the other defendants
23 intended to assert their Fifth Amendment rights in the course of
24 their depositions.

25 [P]laintiff insists on going forward with
26 defendants' depositions in an attempt . . .
27 to take advantage of defendants' situation so
28 that plaintiff can then move for summary
29 judgment relying on the absence of testimony
30 from defendants as well as the adverse
31 inference which might be raised by
32 defendants' asserting their constitution[al]
33 right not to incriminate themselves.
34

1 Not. Of Cross-Motion to Rearg. ¶ 7, Louis Vuitton Malletier S.A.
2 v. LY USA Inc., et al., No. 06-cv-13463 (S.D.N.Y. March 26,
3 2008), ECF No. 54.

4 The district court, noting that it had "previously
5 considered the arguments presented in this motion, evaluated the
6 balance of convenience and prejudices, and came to [its]
7 rulings," denied the motion. Den. of Mot. for Recons., Louis
8 Vuitton Malletier S.A. v. LY USA Inc., et al, No. 06-cv-13463
9 (S.D.N.Y. March 26, 2008), ECF No. 54.

10 Discovery continued. Louis Vuitton gave notices of
11 deposition of the defendants Lam and Chan. They refused to
12 appear, citing their intent to exercise their Fifth Amendment
13 right against self-incrimination. Vuitton then moved to compel
14 their depositions. The district court granted the motion, and
15 Chan and Lam appeared for depositions on April 15 and April 16,
16 respectively. But both asserted their Fifth Amendment privileges
17 and refused to answer nearly every question asked of them.

18 On June 5, 2008, Louis Vuitton moved for summary
19 judgment on all of its federal and state-law claims. The same
20 day, Vuitton also moved pursuant to Rule 37(d) to preclude the
21 three corporate defendants⁵ -- LY Inc., Marco Ltd., and CoCo Inc.

⁵ Corporations do not have a Fifth Amendment right against self-incrimination. See, e.g., Braswell v. United States, 487 U.S. 99, 105 (1988) (noting that prior cases had "settled that a corporation has no Fifth Amendment privilege"); In re Grand Jury Subpoena Issued June 18, 2009, 593 F.3d 155, 157-58 (2d Cir. 2010) (per curiam) ("[C]orporations cannot avail themselves of the Fifth Amendment privilege."). In this Circuit, at least, this rule includes small or solely owned corporations. See In re Grand Jury Subpoena, 593 F.3d at 158-59. Accordingly, a

1 -- from submitting further evidence as a sanction for their
2 failure to respond to the plaintiff's demand for Rule 30(b)(6)
3 depositions.⁶

4 In responding to that motion, one of the defendants'
5 attorneys declared that "Marco and Lam have . . . responded to
6 plaintiff's requests for admissions, interrogatories, and other
7 discovery requests. Notably, plaintiff does not point to any
8 specific written discovery requests to which defendants Marco and
9 Lam did not fully respond." Decl. of Thomas Torto in Opp'n to
10 Mot. to Preclude Introduction of New Evidence ¶ 3, Louis Vuitton

corporation may not refuse to submit to a Rule 30(b)(6)
deposition, or to turn over corporate records, on the grounds
that such acts may tend to incriminate it. Id. at 157-58. The
defendant corporations were, of course, free to designate
individuals other than Chan and Lam as 30(b)(6) witnesses. See
Fed. R. Civ. P. 30(b)(6).

⁶ Rule 30(b)(6) provides:

Notice or Subpoena Directed to an Organization.

In its notice or subpoena, a party may name
as the deponent a public or private
corporation, a partnership, an association, a
governmental agency, or other entity and must
describe with reasonable particularity the
matters for examination. The named
organization must then designate one or more
officers, directors, or managing agents, or
designate other persons who consent to
testify on its behalf; and it may set out the
matters on which each person designated will
testify. A subpoena must advise a nonparty
organization of its duty to make this
designation. The persons designated must
testify about information known or reasonably
available to the organization. This paragraph
(6) does not preclude a deposition by any
other procedure allowed by these rules.

1 Malletier S.A. v. LY USA Inc., et al, No. 06-cv-13463 (S.D.N.Y.
2 June 20, 2008), ECF No. 74.

3 The parties briefed both the summary judgment motion
4 and the motion to preclude. At oral argument on August 7, 2008,
5 after hearing from all of the parties, the district court granted
6 summary judgment to Louis Vuitton on the trademark counterfeiting
7 and infringement claims, and granted Louis Vuitton a permanent
8 injunction. The court did not appear explicitly to draw any
9 adverse inference from Lam's and Chan's invocation of the Fifth
10 Amendment. However, it did draw an adverse inference from the
11 corporate defendants' refusal to submit Rule 30(b)(6) witnesses
12 for depositions. See Summ. J. Hr'g Tr. at 46, 53. The district
13 court granted summary judgment on the counterfeiting claims based
14 on the testimony of a person who had been involved in the
15 operation, and "the absence of any opposition testimony by the
16 defendants, and their indifference . . . to the notices of
17 deposition served on them, the goods found among the counterfeit
18 goods seized by [U.S. Government Immigration and Customs
19 Enforcement, or "ICE"], the catalog photographs of the
20 defendants' goods and so much else." Summ. J. Hr'g Tr. at 53.
21 The court also granted summary judgment on the infringement
22 claims, based on three separate product lines designed by the
23 defendants to resemble various handbags produced by Louis

1 Vuitton,⁷ after an analysis of the factors laid out in Polaroid
2 Corp. v. Polarad Elecs. Corp., 287 F.2d 492, 495 (2d Cir. 1961).

3 The district court noted that "when the manufacturer of
4 knockoff goods offers a consumer a cheap knockoff copy of the
5 original manufacturer's more expensive product, allowing the
6 buyer to acquire the prestige of owning what appears to be the
7 more expensive product, there is infringement." Summ. J. Hr'g
8 Tr. at 55. The court reserved decision on the precise amount of
9 damages that would be awarded:

10 I'll give the defendants an opportunity to
11 come forward with proof of their sales and
12 their customers for the accused merchandise.
13 If they refuse, I will take the proper
14 inference and consider the application of the
15 plaintiffs. If they cooperate, and
16 plaintiffs are able to get an idea of where
17 their merchandise is, and thereby able to
18 mitigate their damage, and how much money the
19 defendants made, I will take that into
20 consideration in fixing the appropriate sum.
21 Id. at 58.

22 One of the defendants' attorneys again protested that
23 he would not be able to produce the sales records because they
24 had been seized in connection with the criminal case. The

⁷ Those product lines are known as the M9 collection, the LY collection, and the Cherry Blossom collection. The district court explained that the "M9 collection . . . bears substantial similarity to the [LV Logo Mark, floral motifs, and composite mark] except that a cursive M replaces the LV logo, and that the flower design is somewhat modified." Summ. J. Hr'g Tr. at 7. The Cherry Blossom collection "features bags with a brown canvas base similar to the canvas of the Louis Vuitton bags, and the LY logo is in contrasting colors in pink and red cherry blossom flowers superimposed with pink and red cherry blossoms and flowers superimposed over the logos." Id. at 7-8. The LY Collection "replicates all of the Louis Vuitton marks except that they've replaced an overlapping LV with a LY." Id. at 15.

1 district court instructed Louis Vuitton's attorney to assist the
2 defendants in responding by contacting the United States Attorney
3 to try to secure the seized records, and noted that "if any
4 orders or interventions from me would be helpful, I'll be glad
5 to." Id. at 60.

6 The district court entered a summary order formalizing
7 its ruling on August 11, 2008, and entered a permanent injunction
8 barring the defendants from infringing Louis Vuitton's trademarks
9 on September 2, 2008.

10 The district court proceeded to determine the amount of
11 damages and attorney's fees. Louis Vuitton confirmed in a letter
12 to the district court that it was seeking the maximum statutory
13 damages award of eight million dollars, plus attorney's fees,
14 costs, and investigative fees. The parties briefed these issues.

15 Vuitton detailed its efforts to settle the case and
16 avoid litigation, as well as its efforts to secure records
17 detailing the scope of the defendants' copyright infringement.
18 Louis Vuitton argued for "maximum damages" because the defendants
19 had "hid from discovery the documents and other information that
20 would reveal the full nature and extent of their counterfeiting
21 enterprise and activities."⁸ Mem. in Supp. of Appl. for

⁸ It is unclear to us whether the plaintiff was able to secure any additional records by consulting with the U.S. Attorney's office prosecuting the defendants' criminal case, or whether the defendants were able to do so themselves. The record does not reflect any additional attempts by the defendants to secure the records the unavailability of which they initially argued supported their application for the stay, nor did they make any specific objections to the civil proceedings on the basis of their inability to introduce specific documents.

1 Statutory Damages, Attorney's Fees, Investigative Fees and Costs
2 at 8, Louis Vuitton Malletier S.A. v. LY USA Inc., et al., No.
3 06-cv-13463 (S.D.N.Y. Sept. 8, 2008), ECF No. 114.

4 The defendants argued that Louis Vuitton was precluded
5 by statute from recovering attorney's fees, that the attorney's
6 fees requested were excessive, and that the \$8 million in
7 statutory damages Louis Vuitton sought "is not fair compensation
8 but punitive and draconian, grossly in excess of any actual
9 harm." Mem. in Opp. to Appl. for Statutory Damages, Attorney's
10 Fees, Investigative Fees and Costs at 14, Louis Vuitton Malletier
11 S.A. v. LY USA Inc., et al., No. 06-cv-13463 (S.D.N.Y. Sept. 19,
12 2008), ECF No. 128.

13 On October 3, 2008, the district court awarded Louis
14 Vuitton \$3 million in statutory damages and \$556,934.22 in
15 attorney's fees and costs. The court noted that the
16 "[d]efendants, despite their protestations to the contrary, have
17 produced limited records, accountings, and sales invoices
18 regarding the merchandise at issue. Their failure to do so
19 invites an inference of a massive counterfeiting enterprise."
20 Order Awarding Statutory Damages, Attorney's Fees, and Expenses
21 at 3, Louis Vuitton Malletier S.A. v. LY USA Inc., et al., No.
22 06-cv-13463 (S.D.N.Y. Oct. 3, 2008), ECF No. 133 ("Order Awarding
23 Statutory Damages"). The court concluded that an award of half
24 the \$1,000,000 maximum statutory damages -- \$500,000 -- was
25 appropriate for each of the LV Logo Mark and the three floral
26 motifs (4 x \$500,000 = \$2,000,000); plus \$250,000 for the

1 composite mark, and \$250,000 each for the three infringements of
2 other types of goods (4 x \$250,000 = \$1,000,0000), for a total of
3 \$3 million. Id. at 4-5.

4 Each of the defendants filed timely appeals from these
5 judgments, which appeals were, however, withdrawn almost
6 immediately by stipulation of the parties. It was agreed among
7 them that the appeals would be subject to reactivation within 30
8 days after the jury returned a verdict in the criminal
9 prosecutions of Lam and Chan, or by August 2009, whichever came
10 first. Subsequent stipulations extended the alternate deadline
11 date to July 15, 2010.

12 The Criminal Proceedings

13 On October 2, 2007, a sealed indictment of Lam and
14 Chan, and Eric Yuen, one of their employees, was filed in the
15 Eastern District of Virginia. See Sealed Indictment, United
16 States v. Lam, No. 07-cr-374 (E.D. Va.), ECF No. 3. A
17 superseding indictment, filed March 26, 2009, charged the three
18 defendants with one count of conspiracy to traffic in counterfeit
19 goods, in violation of 18 U.S.C. § 371; two counts of smuggling
20 goods into the United States, in violation of 18 U.S.C. § 545;
21 and four counts of trafficking in counterfeit goods, in violation
22 of 18 U.S.C. § 2320(a). The charges arose out of Lam and Chan's
23 alleged conspiracy to import and smuggle counterfeit merchandise
24 into the United States between August 2002 and January 2008. See
25 Superseding Indictment, United States v. Lam, No. 07-cr-374 (E.D.
26 Va. March 26, 2009), ECF No. 60. The defendants allegedly

1 counterfeited luxury goods produced and distributed by Louis
2 Vuitton and by others under various other trademarks. The
3 indictment alleged that Lam, Chan, and Yuen acted in concert with
4 seven unindicted corporate coconspirators, including LY Inc.,
5 CoCo Inc., and Marco Ltd., to import counterfeit and infringing
6 goods. The defendants allegedly imported these goods through
7 different American ports, including, as noted above, Houston,
8 Newark, New York, Los Angeles, and Norfolk, and used different
9 corporate identities in an attempt to thwart seizures of their
10 goods by customs officials. Despite their attempts to evade
11 Customs, officials seized more than 300,000 items imported by the
12 Lam and Chan. United States v. Lam, 2010 WL 5178839, at *1, 2010
13 U.S. Dist. LEXIS 132126, at *3.

14 On January 16, 2008, Immigration and Customs
15 Enforcement agents arrested defendants Lam and Chan at their home
16 in Queens, New York. In addition, search warrants were executed
17 at the defendants' business headquarters in midtown Manhattan.
18 Lam and Chan were arraigned in federal court in Richmond,
19 Virginia, on February 12, 2008.

20 On January 10, 2010, the defendants' criminal trial
21 began. When the jury deadlocked, a mistrial was declared on
22 January 25, 2010.⁹

⁹ The jury was apparently unable to decide whether counterfeit bags were actually seized in Norfolk, Virginia. Counts Two through Seven of the Superseding Indictment related only to seizures in Norfolk.

1 After a subsequent retrial, on June 10, 2010,
2 defendants Lam and Chan were convicted of one count of conspiracy
3 to traffic in counterfeit goods, 18 U.S.C. § 371, two counts of
4 trafficking in counterfeit goods, 18 U.S.C. § 2320(a), and two
5 counts of smuggling goods into the United States, 18 U.S.C.
6 § 545. Lam and Chan were convicted principally of charges
7 related to a mark registered by Burberry Limited, not Louis
8 Vuitton.¹⁰ The jury acquitted Yuen of all charges. See United
9 States v. Lam, 2010 WL 5178839, at *1, 2010 U.S. Dist. LEXIS
10 132126, at *3-*4.

11 On January 7, 2011, [the court] sentenced Lam
12 to eleven months and twenty-five days on
13 [three of the] counts . . . and eighteen
14 months [on two of the counts], all to be
15 served concurrently. The Court sentenced
16 Chan on the same day to five months
17 imprisonment to be followed by five months of
18 home confinement with electronic monitoring
19 on each of [the five counts of her
20 conviction], all to be served concurrently.

21 United States v. Lam, No. 3:07-CR-374, 2011 WL 1167208, at *2,
22 2011 U.S. Dist. LEXIS 33351, at *4-*5 (E.D. Va. Mar. 28, 2011).

23 Lam and Chan subsequently appealed their criminal
24 convictions; the government cross-appealed as to the sentences.
25 Those appeals remain pending. See United States v. Lam, Nos. 11-
26 4056, 11-4081 (4th Cir.).

¹⁰ Allegations related to the importation of counterfeit Louis Vuitton merchandise were included in Count One of the Superseding Indictment, conspiracy to traffic in counterfeit goods, of which Lam and Chan were found guilty. No allegations relating to Louis Vuitton merchandise were included in the remaining six counts of the Superseding Indictment.

1 Meanwhile, on June 30, 2010, all defendants jointly
2 moved to reactivate these appeals. They were reinstated by order
3 of this Court dated July 12, 2010.

4 **DISCUSSION**

5 I. Jurisdiction

6 The district court had subject-matter jurisdiction over
7 the plaintiff's claims pursuant to 28 U.S.C. §§ 1331, 1338(a)-
8 (b), and 1367(a). We have subject-matter jurisdiction over the
9 appeal pursuant to 28 U.S.C. § 1291.

10 II. The Defendants' Motion to Stay Proceedings

11 The defendants argue that the district court abused its
12 discretion in denying their request to stay the civil action
13 pending the resolution of the criminal prosecutions of Lam and
14 Chan in the Eastern District of Virginia. They assert that the
15 weight of authority in this Circuit favors a stay where, as here,
16 an indictment has issued against a civil defendant in a
17 substantially related criminal matter. Moreover, they argue that
18 "[t]he prejudice to defendants was severe and clearly outweighed
19 any inconvenience to plaintiff caused by the delay in prosecuting
20 this matter. . . . [Therefore,] Lam and Chan's Fifth Amendment
21 privilege should not have been made subordinate to the commercial
22 interests of Vuitton." Br. of Def.'s-Cross-Cl.'s-Cross-Def.'s-
23 Appellants at 18-19, Louis Vuitton Malletier S.A. v. LY USA,
24 Inc., et al., No. 08-4483 (2d Cir. Nov. 9. 2010).

25 The defendants further contend that when Lam and Chan
26 invoked their Fifth Amendment rights against self incrimination
27 at their depositions, the district court drew adverse inferences

1 against them -- inferences that supported the grant of summary
2 judgment in Louis Vuitton's favor. The defendants also assert
3 that by denying the stay, the district court deprived the
4 corporate defendants of the opportunity to offer testimony by Lam
5 and Chan in their defense. The district court's denial of the
6 stay, they argue, thereby "effectively doom[ed]" both the
7 individual and corporate defendants' efforts to defend the
8 action. Id. at 11.

9 A. Standard of Review

10 "A district court's decisions regarding the timetable
11 for trial will not be reversed absent an abuse of discretion. To
12 demonstrate an abuse of this discretion, a defendant must
13 demonstrate arbitrary action that substantially impaired the
14 defense." United States v. Beverly, 5 F.3d 633, 641 (2d Cir.
15 1993) (citation omitted) (concluding that refusal of district
16 court to grant continuance to permit two of criminal defendant's
17 witnesses to appear at trial was within court's discretion);
18 accord Microfinancial, Inc. v. Premier Holidays Int'l, Inc., 385
19 F.3d 72, 77-79 (1st Cir. 2004) (deciding district court's refusal
20 to stay civil case in light of criminal investigation not abuse
21 of discretion).

22 B. Governing Law

23 "[T]he power to stay proceedings is incidental to the
24 power inherent in every court to control the disposition of the
25 causes on its docket with economy of time and effort for itself,
26 for counsel, and for litigants." Landis v. N. Am. Co., 299 U.S.
27 248, 254 (1936); accord Clinton v. Jones, 520 U.S. 681, 706-08

(1997); see also United States v. Kordel, 397 U.S. 1, 12 n.27 (1970) (noting that courts may "defer[] civil proceedings pending the completion of parallel criminal prosecutions when the interests of justice seem[] to require such action"); Kashi v. Gratsos, 790 F.2d 1050, 1057 (2d Cir. 1986) ("'[A] court may decide in its discretion to stay civil proceedings when the interests of justice seem to require such action.'" (quoting SEC v. Dresser Indus., 628 F.2d 1368, 1372 (D.C. Cir. 1980) (en banc)) (ellipses and internal quotation marks omitted; emphasis added)); Nosik v. Singe, 40 F.3d 592, 596 (2d Cir. 1994) ("Although civil and criminal proceedings covering the same ground may sometimes justify deferring civil proceedings until the criminal proceedings are completed, a court may instead enter an appropriate protective order."). "How this can best be done calls for the exercise of judgment, which must weigh competing interests and maintain an even balance." Landis, 299 U.S. at 254-55; see also Oforu v. McElroy, 98 F.3d 694, 699 (2d Cir. 1996) ("A request for a stay is an appeal to equity.").

The person seeking a stay "bears the burden of establishing its need." Clinton, 520 U.S. at 708. "[A]bsent a showing of undue prejudice upon defendant or interference with his constitutional rights, there is no reason why plaintiff should be delayed in its efforts to diligently proceed to sustain its claim." Hicks v. City of N.Y., 268 F. Supp. 2d 238, 241 (E.D.N.Y. 2003) (internal quotation marks omitted).

1 In evaluating whether the "interests of justice" favor
2 such a stay, courts have generally been concerned about the
3 extent to which continuing the civil proceeding would unduly
4 burden a defendant's exercise of his rights under the Fifth
5 Amendment, which provides that "[n]o person . . . shall be
6 compelled in any criminal case to be a witness against himself,"
7 U.S. Const. amend. V.¹¹ Creative Consumer Concepts, Inc. v.
8 Kreisler, 563 F.3d 1070, 1080 (10th Cir. 2009); see also United
9 States v. All Assets of Statewide Auto Parts, Inc., 971 F.2d 896,
10 905 (2d Cir. 1992) (same when considering stay of civil
11 forfeiture proceeding). A stay can protect a civil defendant
12 from facing the difficult choice between being prejudiced in the
13 civil litigation, if the defendant asserts his or her Fifth
14 Amendment privilege, or from being prejudiced in the criminal
15 litigation if he or she waives that privilege in the civil
16 litigation. See United States v. 4003-4005 5th Ave., 55 F.3d 78,
17 83 (2d Cir. 1995) (discussing the "dilemma" faced by criminal
18 defendants forced to testify in a parallel civil forfeiture
19 proceeding). As Judge Hellerstein, who presided in the district
20 court in this case, has observed in his extrajudicial writing,
21 "[t]he greatest risk posed by parallel [civil and criminal
22 proceedings] . . . is that parallel proceedings may place

¹¹ There are other possible justifications for a stay. For example, a district court may issue one in a civil proceeding in deference to a parallel criminal proceeding in order to "prevent either party from taking advantage of broader civil discovery rights" or to "prevent the exposure of the criminal defense strategy to the prosecution." Kreisler, 563 F.3d at 1080.

1 significant burdens upon the Fifth Amendment privilege against
2 self-incrimination." Alvin Hellerstein & Gary Naftalis, Private
3 Civil Actions and Concurrent or Subsequent Regulatory or Criminal
4 Proceedings, SG046 ALI-ABA 903, 905 (2001).

5 A defendant in a civil proceeding who invokes the Fifth
6 Amendment as a result of an overlapping criminal investigation or
7 proceeding "risk[s] the adverse inference arising from [his or
8 her] assertion of the privilege." Id. at 951. The Supreme Court
9 has explained "that the Fifth Amendment does not forbid adverse
10 inferences against parties to civil actions when they refuse to
11 testify in response to probative evidence offered against them."
12 Baxter v. Palmigiano, 425 U.S. 308, 318 (1976); see also Keating
13 v. Office of Thrift Supervision, 45 F.3d 322, 326 (9th Cir. 1995)
14 (observing that it is "permissible" for the trier of fact to draw
15 such adverse inferences). "[A] party who asserts the privilege
16 against self-incrimination must bear the consequence of lack of
17 evidence, and the claim of privilege will not prevent an adverse
18 finding or even summary judgment if the litigant does not present
19 sufficient evidence to satisfy the usual evidentiary burdens in
20 the litigation." 4003-4005 5th Ave., 55 F.3d at 83 (citation and
21 internal quotation marks omitted); see also LiButti v. United
22 States, 178 F.3d 114, 120 (2d Cir. 1999) (noting that it is
23 permissible to give an adverse inference "significant weight," as
24 "silence when one would be expected to speak is a powerful
25 persuader").

1 But if civil defendants do not elect to assert their
2 Fifth Amendment privilege, and instead fully cooperate with
3 discovery, their "testimony . . . in their defense in the civil
4 action is likely to constitute admissions of criminal conduct in
5 their criminal prosecution." SEC v. Boock, No. 09 Civ. 8261
6 (DLC), 2010 WL 2398918, at *2, 2010 U.S. Dist. LEXIS 59498, at *5
7 (S.D.N.Y. June 15, 2010). Indeed, "[e]ven where it would not be
8 direct evidence of wrongdoing with respect to the scheme charged
9 in the criminal case, such testimony may be admissible as Fed. R.
10 Evid. 404(b)[¹²] evidence in any criminal trial." Id.; see also
11 Milton Pollack, Parallel Civil and Criminal Proceedings, 129
12 F.R.D. 201, 205-06 (1990) (hereinafter "Pollack, Parallel
13 Proceedings") (explaining how a party's participation in civil
14 proceedings may prejudice his defense in parallel criminal
15 proceedings).

¹² Fed. R. Evid. Rule 404 reads in pertinent part:

Character Evidence; Crimes or Other Acts

(b) Crimes, Wrongs, or Other Acts.

(1) Prohibited Uses. Evidence of a crime, wrong, or other act is not admissible to prove a person's character in order to show that on a particular occasion the person acted in accordance with the character.

(2) Permitted Uses; Notice in a Criminal Case. This evidence may be admissible for another purpose, such as proving motive, opportunity, intent, preparation, plan, knowledge, identity, absence of mistake, or lack of accident.

1 Despite these factors, such "[a] stay of [a] civil
2 case" to permit conclusion of a related criminal prosecution has
3 been characterized as "an extraordinary remedy." Trs. of
4 Plumbers & Pipefitters Nat'l Pension Fund v. Transworld Mech.,
5 Inc., 886 F. Supp. 1134, 1139 (S.D.N.Y. 1995). A district court
6 may stay civil proceedings when related criminal proceedings are
7 imminent or pending, and it will sometimes be prudential to do
8 so. Id. at 1138 n.4 ("Even if a court may constitutionally deny
9 a request for a stay, . . . a stay of a civil action may still be
10 warranted in some instances."). But the Constitution rarely, if
11 ever, requires such a stay. Kashi, 790 F.2d at 1057 ("[T]he
12 Constitution does not ordinarily require a stay of civil
13 proceedings pending the outcome of criminal proceedings."
14 (quoting Dresser Indus., 628 F.2d at 1372)) (ellipses omitted));
15 accord United States v. Int'l Bhd. of Teamsters, 247 F.3d 370,
16 388 (2d Cir. 2001); Nosik, 40 F.3d at 596. "A defendant has no
17 absolute right not to be forced to choose between testifying in a
18 civil matter and asserting his Fifth Amendment privilege."
19 Keating, 45 F.3d at 326. The existence of a civil defendant's
20 Fifth Amendment right arising out of a related criminal
21 proceeding thus does not strip the court in the civil action of
22 its broad discretion to manage its docket.

23 District courts have formulated multi-factor tests to
24 apply in deciding whether, in light of these hazards to the
25 defendants in the civil proceedings against them, to grant a stay
26 of those proceedings. The district courts of this Circuit, for

1 example, have often utilized a six-factor balancing test first
2 set forth by then-district court judge Chin:

3 1) the extent to which the issues in the
4 criminal case overlap with those presented in
5 the civil case; 2) the status of the case,
6 including whether the defendants have been
7 indicted; 3) the private interests of the
8 plaintiffs in proceeding expeditiously
9 weighed against the prejudice to plaintiffs
10 caused by the delay; 4) the private interests
11 of and burden on the defendants; 5) the
12 interests of the courts; and 6) the public
13 interest.

14 Trs. of Plumbers & Pipefitters Nat'l Pension Fund, 886 F. Supp.
15 at 1139 (footnotes omitted).¹³ And several of our sister
16 circuits have adopted similar multi-factor tests. See, e.g.,

¹³ For cases applying substantially this standard, see
also, e.g., Hicks, 268 F. Supp. 2d at 241; Boock, 2010 WL
2398918, at *1-*2, 2010 U.S. Dist. LEXIS 59481, at *4-*5 (quoting
Trs. of Plumbers & Pipefitters Nat'l Pension Fund, 886 F. Supp.
at 1139); Motorola, Inc. v. Abeckaser, No. 07-CV-3963 (CPS)(SMG),
2009 WL 816343, at *1-*2, 2009 U.S. Dist. LEXIS 24855, at *4
(E.D.N.Y. Mar. 26, 2009); Parker v. Dawson, Nos. 06-CV-6191
(JFB)(WDW), 06-CV-6627 (JFB)(WDW), 07-CV-1268 (JFB)(WDW), 2007 WL
2462677, at *3, 2007 U.S. Dist. LEXIS 63068, at *10 (E.D.N.Y.
Aug. 27, 2007); JHW Greentree Capital, L.P. v. Whittier Trust
Co., No. 05 Civ. 2985(HB), 2005 WL 1705244, at *1, 2005 U.S.
Dist. LEXIS 14687, at *2 (S.D.N.Y. July 22, 2005). Some district
courts have instead applied a similar five-factor test under
which the court considers:

(1) the private interests of the plaintiffs
in proceeding expeditiously with the civil
litigation as balanced against the prejudice
to the plaintiffs if delayed; (2) the private
interests of and burden on the defendants;
(3) the interests of the courts; (4) the
interests of persons not parties to the civil
litigation; and (5) the public interest.

Catskill Mountains Chapter of Trout Unlimited, Inc. v. EPA, 630
F. Supp. 2d 295, 304 (S.D.N.Y. 2009)(listing five-factor test and
collecting cases); see also Golden Quality Ice Cream Co., Inc. v.
Deerfield Specialty Papers, Inc., 87 F.R.D. 53, 56-58 (E.D. Pa.
1980) (Pollak, J.) (originally setting out this test).

1 Microfinacial, 385 F.3d at 78 (1st Cir. 2004) (applying a five-
2 factor test but also considering "the status of the cases" and
3 "the good faith of the litigants (or the absence of it)");
4 Keating, 45 F.3d at 324-25 (9th Cir. 1995) (applying a five-
5 factor test).

6 These tests, however, no matter how carefully refined,
7 can do no more than act as a rough guide for the district court
8 as it exercises its discretion. They are not mechanical devices
9 for churning out correct results in overlapping civil and federal
10 proceedings, replacing the district court's studied judgment as
11 to whether the civil action should be stayed based on the
12 particular facts before it and the extent to which such a stay
13 would work a hardship, inequity, or injustice to a party, the
14 public or the court.

15 We think the tests do little more than serve as
16 something of a check list of factors we ought to consider as we
17 review the district court's action for abuse of its discretion.
18 Even if we were to choose or formulate a test and apply it, we
19 would not be able to reverse the district court solely because we
20 disagreed with its application of the test. The district court's
21 decision ultimately requires and must rest upon "a particularized
22 inquiry into the circumstances of, and the competing interests
23 in, the case." Banks v. Yokemick, 144 F. Supp. 2d 272, 275
24 (S.D.N.Y. 2001) (citing Keating, 45 F.3d at 325); see also 4003-
25 4005 5th Ave., 55 F.3d at 85 ("[H]ow a trial court should . . .

1 react to any motion precipitated by a litigant's assertion of the
2 Fifth Amendment in a civil proceeding . . . necessarily depends
3 on the precise facts and circumstances of each case."); Volmar
4 Dist., Inc. v. New York Post Co., 152 F.R.D. 36, 39 (S.D.N.Y.
5 1993) ("Balancing these factors is a case-by-case determination,
6 with the basic goal being to avoid prejudice.").¹⁴ And our role
7 is only to assure that the district court's exercise of
8 discretion was reasonable and in accordance with the law. A
9 decision so firmly within the discretion of the district court
10 will not be disturbed by us absent demonstrated prejudice so
11 great that, as a matter of law, it vitiates a defendant's
12 constitutional rights or otherwise gravely and unnecessarily
13 prejudices the defendant's ability to defend his or her rights.
14 There may well be cases where the Constitution requires a stay.
15 But a plausible constitutional argument would be presented only
16 if, at a minimum, denying a stay would cause "substantial
17 prejudice" to the defendant. Keating, 45 F.3d at 325 (internal

¹⁴ Were we forced to choose between the two tests, we would likely prefer Judge Chin's six-part formulation because it explicitly considers the degree to which the issues in the civil and criminal proceedings overlap. See Trs. of Plumbers & Pipefitters Nat'l Pension Fund, 886 F. Supp. at 1139 ("If there is no overlap, there would be no danger of self-incrimination and accordingly no need for a stay."). The six-factor test also has the advantage of taking into account the status of the criminal proceeding, including whether the civil defendant has been indicted, a factor that speaks to whether a prosecution is likely and imminent as opposed to a remote or purely hypothetical possibility. But in reviewing district court judgments on appeal, the question for us is whether at the end of the day the trial court abused its discretion, not whether the court employed a superior check list in arriving at its decision.

1 quotation marks omitted). In the more common case, the Fifth
2 Amendment privilege is implicated by the denial of a stay, but
3 not abrogated by it.¹⁵

4 Indeed, so heavy is the defendant's burden in
5 overcoming a district court's decision to refrain from entering a
6 stay that the defendants have pointed to only one case in which a
7 district court's decision to deny a stay was reversed on appeal,
8 and that case was decided more than thirty years ago.¹⁶

9 C. Application

10 We conclude that the district court did not abuse its
11 discretion in this case.

¹⁵ Because the denial of a stay here plainly does not violate Lam's and Chan's constitutional rights, we need not speculate further about the circumstances under which a more compelling constitutional argument would be presented. Cases where courts have found a stay constitutionally required are few and far between -- likely because district courts stay proceedings out of an abundance of caution when there is a serious question as to whether a denial would violate the Fifth Amendment. The Eleventh Circuit appears to be the only Circuit that has outlined a specific test for determining whether a stay is constitutionally required. See United States v. Premises Located at Route 13, 946 F.2d 749, 756 (11th Cir. 1991) (stay required when "the invocation of the [Fifth Amendment] privilege must result in an adverse judgment, not merely the loss of [the defendant's] most effective defense. Stated plainly, the rule applies when the invocation of the privilege would result in automatic entry of summary judgment." (citations and internal quotation marks omitted)).

¹⁶ See Wehling v. CBS, 608 F.2d 1084 (5th Cir. 1979), in which the plaintiff in a libel action had requested a stay in lieu of dismissal pending the outcome of a related criminal proceeding against him. The court faulted the district court for failing to "measure[] the relative weights of the parties' competing interests with a view toward accommodating those interests, if possible." Id. at 1088.

1 There were factors present here that would have
2 supported the entry of a stay. For example, Lam and Chan had
3 been indicted in the parallel criminal proceeding when they
4 sought the stay. The criminal trial was therefore reasonably
5 imminent. See Trs. of Plumbers & Pipefitters Nat'l Pension Fund,
6 886 F. Supp. at 1140 (observing that a court need not "rely upon
7 fortuitous events to manage its dockets"). There is considerable
8 authority for the principle that a stay is most justified where a
9 movant, like the defendants here, is already under indictment for
10 a serious criminal offense and is required at the same time to
11 defend a civil action involving the same subject matter.¹⁷

12 And the individual defendants did face the prospect
13 that any testimony they offered in the civil proceeding would be
14 used against them in the course of the criminal prosecution. The

¹⁷ District courts have not, however, treated the fact that an indictment of the defendants has been handed up at the time of their making a motion for a stay of the civil proceedings as requiring that the stay be entered. In addition to the decision of the district court in this case, see, e.g., Abeckaser, 2009 WL 816343, at *3, 2009 U.S. Dist. LEXIS 24855, at *6 (denying stay in trademark-infringement action where defendants requested a stay on the "eve of summary judgment," eighteen months after a related indictment and when discovery in the civil case had been completed); Fendi Adele S.R.L. v. Ashley Reed Trading, Inc., No. 06 Civ. 0243 (JES)(MHD), 2006 WL 2585612, at *3, 2006 U.S. Dist. LEXIS 64245, at *9 (S.D.N.Y. Sept. 8, 2006) (denying stay in trademark-infringement and counterfeiting action where defendant waited until six months after indictment to request stay); Travelers Cas. & Sur. Co. v. Vanderbilt Grp., LLC, No. 01 Civ. 7927 (DLC), 2002 WL 844345, at *2-3, 2002 U.S. Dist. LEXIS 7939, at *9-11 (S.D.N.Y. May 2, 2002) (declining to stay civil proceedings where "it is clear that many of the issues in this litigation have a life independent from the willingness of the [indicted defendants] to testify or the substance of any testimony they might give").

1 criminal proceeding involved the same subject matter as the civil
2 action: the trafficking in counterfeit handbags and wallets,
3 including those bearing the counterfeit Louis Vuitton marks. The
4 defendants' ability to make use of their Fifth Amendment
5 privileges would therefore have been implicated by a decision to
6 testify in the civil matter. See Trs. of Plumbers & Pipefitters
7 Nat'l Pension Fund, 886 F. Supp. at 1139. And while the
8 corporate defendants could not avail themselves of the privilege,
9 a stay would arguably have served their interests too because of
10 the adverse inferences that the court might have drawn (but
11 apparently did not draw) from the individual defendants' silence,
12 and because those defendants would have been the most appropriate
13 Rule 30(b)(6) witnesses on their behalf.

14 Also, even in the absence of this civil case, the
15 criminal prosecution would have likely served to protect the
16 interests of consumers and manufacturers -- interests that
17 ordinarily favor prompt resolution of civil counterfeiting and
18 infringement claims. See Brock v. Tolkow, 109 F.R.D. 116, 121
19 (E.D.N.Y. 1985) ("[W]hile criminal investigations and
20 prosecutions can take a woefully long time, a stay of discovery
21 does not mean that enforcement of the public interests at stake
22 in the civil case will be indefinitely deferred. For one thing,
23 a criminal prosecution serves to enforce those same interests.");
24 Volmar Dist., 152 F.R.D. at 40 (noting, in an antitrust case,
25 that "[t]he public certainly has an interest in the preservation

1 of the integrity of competitive markets," and that "the pending
2 criminal prosecution serves to advance those same interests").

3 The defendants also urge that their inability to
4 produce documents establishing records of sale, and the
5 implication of their Fifth Amendment privilege, required a
6 stay.¹⁸ The burden placed on them by the January 16, 2008,
7 seizure of documents and computers from their headquarters by
8 customs officials, they say, favored a stay. They assert that
9 the district court erred in not considering that burden.

10 Parts of the defendants' argument, however, ring hollow
11 in light of the defendants' plainly dilatory tactics in tendering
12 discovery even prior to their indictments. And afterwards, the
13 district court did not leave the defendants without remedy for
14 the potential implications of the parallel criminal proceeding.
15 The court explained that "[i]f there is imposition involved, the
16 court can deal with such matters as and when there is threat of
17 imposition." Order Denying Motion for Stay at 1. The court
18 presumably meant that it was open to considering further requests
19 from the defendants for alternative forms of relief, such as
20 tailored stays, protective orders, quashing or modifying
21 subpoenas, sealing confidential material, or even a renewed

¹⁸ These considerations are related. The "compulsory production of books and papers" does implicate the Fifth Amendment privilege. See Spevack v. Klein, 385 U.S. 511, 515 (1967). The defendants here do not argue, however, that they resisted document production because of the possibility of self-incrimination. Rather, their argument is a purely practical one -- that the unavailability of these documents due to the parallel criminal proceeding was unduly prejudicial.

1 motion for a stay if specific impositions presented themselves.
2 Cf. Pollack, Parallel Proceedings, 129 F.R.D. at 211-12
3 (describing alternatives to a complete stay of the civil
4 proceedings). The district court also offered assistance in
5 securing the documents that had supposedly been seized by the
6 government in the criminal prosecution.

7 We see nothing in the record to indicate that the
8 defendants ever pursued such alternative relief. The defendants
9 might have submitted 30(b)(6) witnesses, other than the indicted
10 defendants, who could have offered testimony to fill in the gaps
11 assertedly left by the seizure of these documents. They did not.
12 They might have sought the district court's proffered help in
13 obtaining records or copies of records gathered in the criminal
14 prosecution for production in the civil proceedings. They did
15 not. And we are unaware of any explanation, persuasive or
16 otherwise, that the defendants have given as to the manner in
17 which the unavailability of these documents, computers, or
18 merchandise actually prejudiced them.

19 We think the defendants' failure to make use of the
20 ability they had, and the additional assistance the district
21 court offered, to make meaningful disclosure is significant. It
22 paints their insistence that the civil proceedings be stayed as
23 part of a larger pattern of overall delay and obfuscation.

24 The district court noted that the failure of the
25 defendants to produce records invited the inference of a "massive
26 counterfeiting enterprise." Order Awarding Statutory Damages at

1 3. And if the defendants' sales records would have revealed, in
2 full, a counterfeiting operation that netted more than the \$8
3 million in potential statutory damages, they had every incentive
4 to keep those records from the plaintiffs. If those records
5 would have revealed a lesser amount of damages, they had the
6 incentive to pursue those records with every tool at their
7 disposal. The apparent indifference on the part of the
8 defendants to the aid offered them suggests that tendering
9 complete documentation to the plaintiff was not in their
10 interest. To be sure, the challenge of acquiring documentation
11 may have been exacerbated by the criminal proceedings, but the
12 defendants' general failure, with the help of the district court,
13 to work around that set of problems so as to produce substantial
14 information in defense of the civil claims undercuts their claim
15 that the criminal proceedings completely impeded their ability to
16 mount a defense.

17 Finally, the defendants argue that Lam's and Chan's
18 reliance on their Fifth Amendment privilege favored a stay.
19 Indeed it did, insofar as it limited their ability to assist in
20 defending against the civil claims. But we see nothing in the
21 record to indicate that their invocation of the privilege alone
22 resulted in one or more adverse inferences being drawn against
23 them. The district court explained in its oral summary judgment
24 ruling that if the defendants "come forward with proofs of their
25 sales and their customers for the accused merchandise" the court

1 would "take that into consideration in fixing the appropriate sum
2 [of damages]." Summ. J. Hr'g Tr. at 58. The court explained
3 that the counterfeiting charges were proved, in part, by "the
4 absence of any opposition testimony by the defendants, and their
5 indifference, I would say, to the notices of deposition served on
6 them." Id. at 53. But during oral argument the court referred
7 only to the failure of the corporate defendants to offer
8 witnesses under Rule 30(b)(6), and suggested that it was that
9 failure alone -- having little to do with the defendants' Fifth
10 Amendment privilege, assuming that other such witnesses were
11 available -- that supported the adverse inferences.¹⁹

12 Even if the district court drew adverse inferences from
13 Lam and Chan invoking their Fifth Amendment rights, such
14 inferences were not necessarily material because there was
15 sufficient evidence without them to adequately support the
16 district court's grant of summary judgment. "If defendants
17 choose to remain silent, the adverse inference that may be drawn
18 will be only one of a number of factors the factfinder will
19 consider and will be given no more evidentiary value than the
20 facts of the case warrant." United States v. Dist. Council of

¹⁹ In their initial letter seeking a stay, the defendants did not raise the Fifth Amendment issue. They asserted instead that discovery would have been more difficult for them to comply with because some relevant documents had been seized by the government. It is only now, on appeal, that the parties have extensively briefed the Fifth Amendment issue. The defendants' failure to squarely present their Fifth Amendment argument to the district court in the first instance also calls into question the degree to which they actually feared prejudice in the civil proceeding.

1 New York City, 782 F. Supp 920, 925-26 (S.D.N.Y. 1992) (internal
2 quotation marks and alteration omitted). The record included
3 visual evidence that enabled the district court to conduct its
4 own comparison of the authentic and accused products, the records
5 of customs seizures, and the defendants' own scant document
6 production. Indeed, that is the evidence on which the district
7 court explained it was largely basing its decision.

8 Also weighing against the stay was the public's
9 interest in prompt further protection of the plaintiff and the
10 public through the civil action from what the evidence before the
11 district court suggested likely was a counterfeiting enterprise.
12 See Landscape Forms, Inc. v. Columbia Cascade Co., 113 F.3d 373,
13 375 (2d Cir. 1997) (reminding courts that the "underlying purpose
14 of the Lanham Act . . . is protecting consumers and manufacturers
15 from deceptive representations of affiliation and origin");
16 Dresser Indus., 628 F.2d at 1377 (denying a stay in order to
17 avoid the continued dissemination of false or misleading
18 information by companies to members of the investing public).

19 And, as the district court found, Louis Vuitton plainly
20 had a compelling interest in prompt resolution of the civil case,
21 in part because of the apparent scale of the counterfeiting
22 operation and the potential for lost sales and consumer
23 confusion. See Order Denying Motion for Stay at 1 (noting that
24 "[p]laintiff has an interest in the prompt prosecution of its
25 case. Its trademark is valuable, and counterfeit goods threaten

1 the value of its trademark and cut into sales.").²⁰ Moreover,
2 Vuitton acted expeditiously to advance its interests, filing the
3 present lawsuit more than a year before Lam and Chan were
4 indicted. In light of the length of time that the lawsuit had
5 progressed by the time the indictments issued, and defendants'
6 dilatory tactics during discovery, granting a stay posed a
7 particular risk to Vuitton's interest in the prompt resolution of
8 its claims.

9 Lastly, the court had reason to proceed forthwith based
10 on its own well-recognized interest in disposing "of the causes
11 on its docket with economy of time and effort for itself"
12 Landis, 299 U.S. at 254.

13 While we thus find substantial arguments arrayed both
14 for and against the district court's grant of a stay, we conclude

²⁰ The defendants argue that Louis Vuitton's commercial interests must not have been in grave jeopardy because Louis Vuitton did not seek a temporary restraining order or preliminary injunction. But the plaintiff's decision to try to bring a speedy resolution to the entire matter rather than expend its resources on temporary relief does not mean the plaintiff had no interest in a speedy resolution of its claims against the defendants. Vuitton was plainly aware that customs officials had been active in seizing the infringing and counterfeit goods, and could have believed a temporary court order would not have dissuaded the defendants any more than those seizures already had, whereas a hefty damages award would effect a more permanent change in the defendants' operational calculus. Indeed, the failure to seek a preliminary injunction in a case of infringement is not generally considered a factor that weighs against a plaintiff seeking permanent injunctive relief. See, e.g., Mytee Prods., Inc. v. Harris Research, Inc., 439 F. App'x 882, 888 (Fed. Cir. 2011); see also Lerner Germany GmbH v. Lerner Corp., 94 F.3d 1575, 1577 (Fed. Cir. 1996) (noting that a preliminary injunction and a permanent injunction "are distinct forms of equitable relief that have different prerequisites and serve entirely different purposes").

1 that the defendants were not as a matter of law deprived of their
2 constitutional rights, or otherwise gravely and unnecessarily
3 prejudiced, by the court's decision. The court thus did not
4 abuse its discretion in denying the stay.

5 III. Award of Attorney's Fees

6 The defendants argue that the district court erred in
7 awarding attorney's fees and costs. They contend that because
8 Louis Vuitton opted to receive statutory damages pursuant to 15
9 U.S.C. § 1117(c), it waived the ability to receive an award of
10 attorney's fees. The defendants point out that unlike
11 subsections (a) and (b) of section 1117, which explicitly provide
12 for such an award, subsection (c) does not.

13 The district court, acknowledging the absence of
14 binding precedent on this issue in this Circuit, ruled that
15 "[a]lthough attorney's fees are frequently awarded in conjunction
16 with actual damages, and often not awarded in conjunction with
17 statutory damages, in [its] discretion they are appropriate here,
18 and Plaintiff should be awarded its expenses of suit." Order
19 Awarding Statutory Damages at 5. The district court imposed an
20 attorney's fee award of \$556,034.22, which was 100 percent of the
21 attorney's fees, expenses, and investigative costs that Louis
22 Vuitton had sought. Id.

23 On appeal, the defendants argue that in making the
24 award the district court abused its discretion by exercising a
25 power that it did not have. They rely heavily on a line of

1 district court decisions concluding that attorney's fees are
2 unavailable under section 1117(a) for plaintiffs receiving
3 statutory damages under section 1117(c), as well as on a Ninth
4 Circuit decision, K & N Eng'g, Inc. v. Bulat, 510 F.3d 1079 (9th
5 Cir. 2007).

6 In the alternative, the defendants argue that the
7 attorney's fees awards were excessive and that reimbursement for
8 some expenses awarded was not supported by the required
9 documentation.

10 A. Standard of Review

11 It is of course a longstanding principle of American
12 law that each party must pay his or her own attorney's fees
13 irrespective of who prevails in the litigation. Reimbursement of
14 the winning party by the losing party is not available unless
15 there is an express statutory basis for permitting or requiring
16 it. See, e.g., Arbor Hill Concerned Citizens Neighborhood Ass'n
17 v. Cnty. of Albany, 522 F.3d 182, 186 (2d Cir. 2008) (describing
18 statutory exceptions to the "American Rule").

19 Whether attorney's fees are available pursuant to
20 section 1117(c) is a question of statutory interpretation. We
21 therefore review the district court's conclusions de novo. DSI
22 Assocs. LLC v. United States, 496 F.3d 175, 183 (2d Cir. 2007);
23 Ehrenfeld v. Mahfouz, 489 F.3d 542, 547 (2d Cir. 2007). But we
24 review the district court's decision regarding the amount of any
25 such award for abuse of discretion. Scott v. City of N.Y., 626
26 F.3d 130, 132 (2d Cir. 2010) (per curiam); accord Banff, Ltd. v.

1 Colberts, Inc., 996 F.2d 33, 36 (2d Cir. 1993) (considering an
2 award of attorney's fees under section 35 of the Lanham Act). A
3 court abuses its discretion if it rests its decision on an
4 erroneous determination of law or a clearly erroneous factual
5 finding. Scott, 626 F.3d at 132.

6 B. Governing Law

7 Under Section 35 of the Lanham Act, a plaintiff seeking
8 damages for counterfeiting and infringement has the option of
9 seeking either actual or statutory damages, but not both. A
10 plaintiff may recover actual damages equal to "(1) defendant's
11 profits, (2) any damages sustained by the plaintiff, and (3) the
12 costs of the action." 15 U.S.C. § 1117(a).²¹ A plaintiff may

²¹ Section 1117(a) states, in pertinent part:

Profits; damages and costs; attorney fees. When a violation of any right of the registrant of a mark registered in the Patent and Trademark Office . . . shall have been established in any civil action arising under this chapter, the plaintiff shall be entitled, subject to the provisions of sections 29 and 32 [15 U.S.C. §§ 1111, 1114], and subject to the principles of equity, to recover (1) defendant's profits, (2) any damages sustained by the plaintiff, and (3) the costs of the action. The court shall assess such profits and damages or cause the same to be assessed under its direction. In assessing profits the plaintiff shall be required to prove defendant's sales only; defendant must prove all elements of cost or deduction claimed. In assessing damages the court may enter judgment, according to the circumstances of the case, for any sum above the amount found as actual damages, not exceeding three times such amount. If the court shall find that the amount of the recovery based on profits is either inadequate or excessive the court may in its discretion enter judgment for

1 elect instead to recover statutory damages for the use of a
2 counterfeit mark that are computed "per counterfeit mark per type
3 of goods or services sold, offered for sale, or distributed." 15
4 U.S.C. § 1117(c).²² The issue is plain: Does the election by a

such sum as the court shall find to be just, according to the circumstances of the case. Such sum in either of the above circumstances shall constitute compensation and not a penalty. The court in exceptional cases may award reasonable attorney fees to the prevailing party.

15 U.S.C. § 1117(a) (emphasis added).

²² Section 1117(c) states, in pertinent part:

Statutory damages for use of counterfeit marks. In a case involving the use of a counterfeit mark [as defined in 15 U.S.C. § 1116(d)] in connection with the sale, offering for sale, or distribution of goods or services, the plaintiff may elect, at any time before final judgment is rendered by the trial court, to recover, instead of actual damages and profits under subsection (a) of this section, an award of statutory damages for any such use in connection with the sale, offering for sale, or distribution of goods or services in the amount of-

(1) not less than \$1,000 or more than \$200,000 per counterfeit mark per type of goods or services sold, offered for sale, or distributed, as the court considers just; or

(2) if the court finds that the use of the counterfeit mark was willful, not more than \$ 2,000,000 per counterfeit mark per type of goods or services sold, offered for sale, or distributed, as the court considers just.

15 U.S.C. § 1117(c). At the time this suit was initiated, statutory awards ranged from not less than \$500 to not more than \$100,000 per counterfeit mark per type of goods sold if the use of the mark was not willful, or up to \$1,000,000 per mark if the use was willful. 15 U.S.C. § 1117(c)(2004). These amounts were doubled effective October 13, 2008. See Prioritizing Resources

1 plaintiff to seek statutory damages under section 1117(c) instead
2 of actual damages and profits under section 1117(a), (1) supplant
3 only that part of section 1117(a) that provides the method for
4 ascertaining the amount of damages with the method set forth for
5 ascertaining damages in section 1117(c), while leaving unaffected
6 the last sentence of the subsection -- "[t]he court in
7 exceptional cases may award reasonable attorney fees to the
8 prevailing party"? Or does it (2) supplant the entirety of
9 subsection (a) including the provision for attorney's fees in
10 "exceptional cases"? If the former, then the plaintiff may make
11 such an election, as Louis Vuitton did in this case, and retain
12 the ability to seek attorney's fees if the case is deemed by the
13 court to be sufficiently "exceptional." If the latter, by making
14 the election to seek damages under subsection (c), Louis Vuitton
15 lost the ability to obtain any attorney's fees award at all,
16 under subsection (a) or otherwise.

17 Some district courts have concluded that a plaintiff
18 who opts to receive statutory damages under section 1117(c) is
19 indeed foreclosed from receiving attorney's fees under section
20 1117(a), even in an "exceptional" case. See, e.g., Global Van
21 Lines, Inc. v. Global Moving Express, Inc., No. 06 Civ. 3776
22 (RJH)(KNF), 2007 U.S. Dist. LEXIS 60794, at *12-*13 (S.D.N.Y.
23 Aug. 20, 2007); John Wiley & Sons, Inc. v. Kauzin Rukiz Entm't &
24 Promotions, No. 06 Civ. 12949 (SAS)(GWG), 2007 WL 1695124, at *4,

and Organization for Intellectual Property Act of 2008, Pub. L.
No. 110-403, § 104, 122 Stat. 4256.

1 2007 U.S. Dist. LEXIS 42095, at *9-10 (S.D.N.Y. June 12, 2007);
2 Gucci Am., Inc. v. Duty Free Apparel, Ltd., 315 F. Supp. 2d 511,
3 522-23 (S.D.N.Y. 2004).

4 Other district courts -- including the court in this
5 case -- have taken the contrary position and held that the Lanham
6 Act does not prohibit simultaneous awards of relief under
7 section 1117(a) and section 1117(c) so long as a plaintiff does
8 not obtain a recovery of both actual and statutory damages. See,
9 e.g., Louis Vuitton Malletier S.A. v. LY USA, 2008 WL 5637161, at
10 *3, 2008 U.S. Dist LEXIS 107592, at *7-8 (S.D.N.Y. Oct. 3, 2008)
11 ("Although attorneys' fees are frequently awarded in conjunction
12 with actual damages, and often not awarded in conjunction with
13 statutory damages, in my discretion they are appropriate here . .
14 . ." (citations omitted)); Nike, Inc. v. Top Brand Co., No. 00
15 Civ. 819 (KMW)(RLE), 2006 WL 2946472, at *3, 2006 U.S. Dist.
16 LEXIS 76543, at *9 (S.D.N.Y. Feb. 27, 2006) ("While there has
17 been some question about the availability of an award of
18 attorney's fees where statutory damages are given, courts have
19 found both appropriate in such 'exceptional cases' of willful
20 infringement.").

21 Other district courts have acknowledged this as an
22 unsettled question without proffering an answer to it. Most
23 frequently, courts avoid confronting the issue by implicitly or
24 explicitly accounting for the cost of attorney's fees in setting
25 the amount of the statutory-damages award. See, e.g., Cartier v.
26 Symbolix Inc., 544 F. Supp. 2d 316, 320 (S.D.N.Y. 2008) ("The

1 Court finds it unnecessary to resolve this interesting question
2 of statutory interpretation since it concludes that a modest
3 award of [attorney's] fees . . . is appropriate either as a
4 separate award, or as a part of an award of statutory damages.");
5 Louis Vuitton Malletier v. WhenU.Com, Inc., No. 05 Civ. 1325
6 (LAK)(DFE), 2007 WL 257717, at *6, 2006 U.S. Dist. LEXIS 97550,
7 at *17 (S.D.N.Y. Jan. 26, 2007) (award of statutory damages
8 suffices to make plaintiff whole); Rodgers v. Anderson, No. 04
9 Civ. 1149 (RJH)(AJP), 2005 WL 950021, at *3-*4, 2005 U.S. Dist.
10 LEXIS 7054, at *10-*11 (S.D.N.Y. Apr. 26, 2005) (same).

11 Still other district courts in this Circuit have
12 awarded attorney's fees under section 1117(a) and statutory
13 damages under section 1117(c) simultaneously, but without
14 acknowledging the potential statutory hurdle they had to clear in
15 doing so. See, e.g., Union of Orthodox Jewish Congregations of
16 Am. v. Am. Food & Beverage Inc., 704 F. Supp. 2d 288, 293
17 (S.D.N.Y. 2010); Louis Vuitton Malletier v. Artex Creative Int'l
18 Corp., 687 F. Supp. 2d 347, 358-59 (S.D.N.Y. 2010); Louis Vuitton
19 Malletier v. Carducci Leather Fashions, Inc., 648 F. Supp. 2d
20 501, 505-06 (S.D.N.Y. 2009); Tiffany (NJ) Inc. v. Luban, 282 F.
21 Supp. 2d 123, 125 (S.D.N.Y. 2003).

22 The Ninth Circuit appears to be the only circuit court
23 to have explicitly recognized this issue, although the court did
24 not resolve it. In K & N Engineering, the district court awarded

1 attorney's fees under section 1117(b)²³ -- not, as in the present
2 case, under the last sentence of section 1117(a) -- to a
3 plaintiff who, like Louis Vuitton here, opted to receive
4 statutory damages under section 1117(c). 510 F.3d at 1081. On
5 appeal, the Ninth Circuit explained that "Section 1117(c) makes
6 no provision for attorney's fees." Id. at 1082. It ruled that
7 because the plaintiff had elected to receive statutory damages
8 under section 1117(c), there was "no statutory basis to award
9 [the plaintiff] attorney's fees under § 1117(b)." Id.

10 K & N Engineering is, however, critically different
11 from the case at bar. There, as here, statutory damages were
12 awarded under section 1117(c). But there, unlike here,
13 attorney's fees had been awarded by the district court under
14 section 1117(b), rather than 1117(a). As the court of appeals
15 explained, "Section 1117(b)'s attorney's fees provision applies
16 only in cases with actual damages under § 1117(a)," and the
17 district court had assessed no such damages as a result of the

²³ Subsection 1117(b) states, in pertinent part:

In assessing damages under [§ 1117(a) for any violation of 15 U.S.C. § 1114(1)(a)] . . . the court shall, unless the court finds extenuating circumstances, enter judgment for three times such profits or damages, whichever amount is greater, together with a reasonable attorney's fee, if the violation consists of (1) intentionally using a mark or designation, knowing such mark or designation is a counterfeit mark (as defined in section 34(d) of this Act [15 U.S.C. § 1116(d)]), in connection with the sale, offering for sale, or distribution of goods or services. . . .

15 U.S.C. § 1117(b)(emphasis added).

1 plaintiff's election to receive statutory damages instead. Id.
2 The Ninth Circuit explicitly reserved the question at issue here:
3 "Because the fee award in this case was made pursuant to
4 § 1117(b), we do not reach the issue whether an election to
5 receive statutory damages under § 1117(c) precludes an award of
6 attorney's fees for exceptional cases under the final sentence of
7 § 1117(a)." Id. at 1082 n.5.²⁴

8 K & N Engineering thus left the present question
9 undecided. Commentators remain divided. Compare 4 Callmann on
10 Unfair Competition, Trademarks and Monopolies § 23:67 (4th ed.
11 2011) ("[A] prevailing plaintiff who elects statutory damages
12 under the Lanham Act in a counterfeiting case is not entitled to
13 attorney's fees.") with 5 McCarthy on Trademarks and Unfair
14 Competition § 30:95 n.9 (4th ed. 2012) (describing the Ninth
15 Circuit's K & N Engineering decision in the subsection (b)
16 context as "a hyper-technical reading of the statute" and
17 lamenting that it fails "to read Lanham Act § 35 as an integrated
18 whole").

19 C. Statutory Interpretation

20 As with any question of statutory interpretation, we
21 begin with the text of the statute to determine whether the
22 language at issue has a plain and unambiguous meaning. Robinson

²⁴ The plaintiffs in K & N Engineering may have sought attorney's fees under section 1117(b) rather than section 1117(a) because the former provides for an automatic grant of attorney's fees together with damages, while the latter only provides for attorney's fees in "exceptional cases," as discussed previously.

1 v. Shell Oil Co., 519 U.S. 337, 340 (1997); see also United
2 States v. Am. Soc. Of Composers, Authors, and Publishers, 627
3 F.3d 64, 72 (2d Cir. 2010). A particular statute's "plain
4 meaning can best be understood by looking to the statutory scheme
5 as a whole and placing the particular provision within the
6 context of that statute." Saks v. Franklin Covey Co., 316 F.3d
7 337, 345 (2d Cir. 2003). "[W]e attempt to ascertain how a
8 reasonable reader would understand the statutory text, considered
9 as a whole." Pettus v. Morgenthau, 554 F.3d 293, 297 (2d Cir.
10 2009). If we can ascertain the plain meaning of the statutory
11 text by examining it in the context of the statute as a whole, we
12 need proceed no further. If, however, the plain meaning is
13 ambiguous, we may consult other sources. "Extrinsic materials
14 have a role in statutory interpretation . . . to the extent they
15 shed a reliable light on the enacting Legislature's understanding
16 of otherwise ambiguous terms." Exxon Mobil Corp. v. Allapattah
17 Servs., Inc., 545 U.S. 546, 568 (2005). "We turn to the
18 legislative history only when the plain statutory language is
19 ambiguous or would lead to an absurd result." In re Ames Dep't
20 Stores, Inc., 582 F.3d 422, 427 (2d Cir. 2009) (per curiam)
21 (internal quotation marks omitted).

22 1. Textual Analysis. Section 1117(a) distinguishes
23 between a plaintiff's recovery and a court's discretionary award
24 of attorney's fees in exceptional circumstances. Recovery of

1 damages is both something to which a successful plaintiff "shall
2 be entitled" and represents "compensation and not a penalty" in
3 the form of "(1) defendant's profits, (2) any damages sustained
4 by the plaintiff, and (3) the costs of the action." 15 U.S.C.
5 § 1117(a). The award of attorney's fees, by contrast, is
6 reserved for "exceptional cases." We have held, moreover, that
7 the prerequisite to a finding that a case is sufficiently
8 "exceptional" to warrant an award of fees is that the
9 infringement was "willful" or in "bad faith." See, e.g., Patsy's
10 Brand, Inc. v. I.O.B. Realty, Inc., 317 F.3d 209, 221 (2d Cir.
11 2003).

12 Section 1117(c) characterizes the plaintiff's recovery
13 of statutory damages as being "instead of actual damages and
14 profits under subsection (a) of this section." 15 U.S.C.
15 § 1117(c). To the extent that subsection (a) distinguishes
16 between actual profits and damages on the one hand, and an award
17 of attorney's fees on the other, then, the alternative recovery
18 is instead of damages and profits under subsection (a), not
19 instead of damages, profits and (in some "exceptional cases")
20 attorney's fees under subsection (a). An award of attorney's
21 fees in an exceptional case is thus not foreclosed. Under this
22 reading, section 1117(a) is the primary or default source of
23 trademark infringement remedies available to a victorious
24 plaintiff, and section 1117(c) represents a special exception or

1 carveout for part of the remedy otherwise available under section
2 1117(a): "actual damages and profits."²⁵

3 We find this argument compelling, because it best
4 comports with the statutory text. The phrase "elect[ing] . . .
5 instead of actual damages and profits under subsection (a)" ought
6 not be read to mean: "elect[ing] . . . instead of all remedies
7 provided under subsection (a)." In our view, so long as the
8 "exceptional case" requirement of section 1117(a) is met, the
9 text of sections 1117(a) and 1117(c) leaves an award of
10 attorney's fees within the discretion of the district court.

²⁵ It may be helpful to compare section 1117(c) to section 1117(b). Section 1117(b) functions as an independent and free-standing provision separate and apart from section 1117(a) in that it has its own damages calculation and provision for attorney's fees. The fact that section 1117(b) expressly provides for attorney's fees arguably indicates that section 1117(c)'s lack of an attorney's fee provision reflects an intent not to allow the award of fees in statutory-damages cases. But the fact that both sections 1117(a) and 1117(b) specifically allow for attorney's fees suggests that section 1117(c) also allows for them, especially in light of the purpose of that subsection, and that it does so by retaining the "exceptional case" provision of section 1117(a).

The attorney's fee provisions of sections 1117(a) and (b) differ in an important respect: the former is subject to the "exceptional case" requirement, and is therefore discretionary, while the latter is mandatory. See, e.g., Lorillard Tobacco Co., Inc. v. A & E Oil, Inc., 503 F.3d 588, 595 (7th Cir. 2007) (upholding a "mandatory award for attorneys' fees" pursuant to section 1117(b) because plaintiff sought relief under section 1117(a) for a violation of one of the Lanham Act provisions entitling the plaintiff to relief under subsection (b)). The automatic award of attorney's fees under section 1117(b) reflects the punitive nature of that subsection, which provides for treble damages when the use of a counterfeit mark is intentional.

1 Nonetheless, because we recognize that the text demonstrates at
2 least some ambiguity, we turn to an examination of the purpose of
3 section 1117(c).²⁶

4 2. Purpose/Intent-Based Analysis. Our consideration
5 of the history of the statute and Congress's purpose in enacting
6 section 1117(c), reinforces our view that the election of a
7 remedy under section 1117(c) by a plaintiff such as Louis Vuitton
8 here does not foreclose the possibility of a recovery of
9 attorney's fees under section 1117(a).

10 Before 1996, trademark remedies were governed by
11 sections 1117(a) and (b) alone. Section 1117(a) provided as
12 remedies -- then as now -- profits, actual damages, and costs,
13 plus attorney's fees in an "exceptional" case. Section 1117(b)
14 provided -- in cases of willful counterfeiting -- for treble
15 damages, a "reasonable attorney's fee," and prejudgment interest.

16 In 1996, Congress passed the Anticounterfeiting
17 Consumer Protection Act (the "Act"), which amended section 1117
18 to add subsection (c), providing for the alternative of statutory
19 damages. Anticounterfeiting Consumer Protection Act of 1996,

²⁶ Judge Livingston disagrees that the text is ambiguous and so does not join in the subsection that follows. See Exxon Mobil Corp. v. Allapattah Servs., Inc., 545 U.S. 546, 568 (2005) (noting that legislative history and other extrinsic materials should be relied on "only to the extent they shed a reliable light on the enacting Legislature's understanding of otherwise ambiguous terms"). She otherwise fully joins in the analysis here.

1 § 7, Pub. L. No. 104-153, 110 Stat. 1386 (codified at 15 U.S.C.
2 § 1117(c)). Congress appears to have been motivated by a gap in
3 the law: Plaintiffs who were victorious on their civil
4 counterfeiting claims were often unable to obtain an adequate
5 recovery in actual damages because counterfeiters often maintain
6 sparse business records, if any at all. See S. Rep. 104-177, at
7 10 (1995).²⁷ In passing the Act, which allows trademark
8 plaintiffs to elect to recover statutory damages in counterfeit

²⁷ The Senate Report provides, with respect to section 7 of the Act:

This section amends section 35 of the Lanham Act, allowing civil litigants the option of obtaining discretionary, judicially imposed damages in trademark counterfeiting cases, instead of actual damages. The committee recognizes that under current law, a civil litigant may not be able to prove actual damages if a sophisticated, large-scale counterfeiter has hidden or destroyed information about his counterfeiting.

Moreover, counterfeiters' records are frequently nonexistent, inadequate or deceptively kept in order to willfully deflate the level of counterfeiting activity actually engaged in, making proving actual damages in these cases extremely difficult if not impossible. Enabling trademark owners to elect statutory damages is both necessary and appropriate in light of the deception routinely practiced by counterfeiters. The amounts are appropriate given the extent of damage done to business goodwill by infringement of trademarks.

S. Rep. 104-177, at 10.

1 cases in lieu of actual damages, Congress apparently sought to
2 ensure that plaintiffs would receive more than de minimis
3 compensation for the injury caused by counterfeiting as a result
4 of the unprovability of actual damages despite the plain
5 inference of damages to the plaintiff from the defendant's
6 unlawful behavior. The Act was thus apparently designed to
7 provide an alternative to the type of recovery provided in
8 section 1117(a); not to all of the remedies provided for in that
9 section. The Act was meant to expand the range of remedies
10 available to a trademark plaintiff, not restrict them.

11 In light of that history, it seems to us unlikely that
12 Congress intended to prevent a plaintiff who opts to recover
13 statutory damages from also receiving attorney's fees. If
14 Congress's purpose in enacting section 1117(c) was to address the
15 problem facing a plaintiff unable to prove actual damages,
16 denying an attorney's fee award to those plaintiffs making use of
17 the new statutory-damages election would be inconsistent with
18 that remedial purpose. The key legislative-history sources --
19 the House and Senate Reports -- do not indicate that Congress
20 intended a tradeoff between statutory damages and both actual
21 damages and attorney's fees. See H.R. Rep. 104-556 (2005); S.
22 Rep. 104-177.

23 This case is illustrative. The district court
24 concluded that the defendants were responsible for a "massive

1 counterfeiting enterprise" based at least in part on plaintiff's
2 allegations and the unavailability of records suggesting
3 otherwise. As we have explained, a defendant facing a statutory
4 damage award less than the actual amount of the damages he or she
5 caused has the incentive to frustrate ascertainment of the actual
6 amount of the damages. It makes little sense, we think, to
7 further reward a defendant successful in defeating the
8 plaintiff's and the court's attempts to fix the actual amount of
9 damages by allowing him or her to avoid an award of attorney's
10 fees. Such a scheme would only further incentivize the defendant
11 to avoid making, keeping, or producing sales records.

12 We therefore conclude that an award of attorney's fees
13 is available under section 1117(a) in "exceptional" cases even
14 for those plaintiffs who opt to receive statutory damages under
15 section 1117(c).

16 D. Application

17 Under the last sentence of section 1117(a), "in
18 exceptional cases [the court] may award reasonable attorney fees
19 to the prevailing party." 15 U.S.C. § 1117(a). We have said
20 that "'[the Lanham Act] allows recovery of a reasonable
21 attorney's fee only . . . on evidence of fraud or bad faith.'" Conopco, Inc. v. Campbell Soup Co., 95 F.3d 187, 194 (2d Cir.
22 1996) (quoting Twin Peaks Prods., Inc. v. Publications Int'l,
23 Ltd., 996 F.2d 1366, 1383 (2d Cir. 1993)); see also, e.g.,

1 Patsy's Brand, Inc., 317 F.3d at 221 ("exceptional cases" include
2 "instances of 'fraud or bad faith' or 'willful infringement'"
3 (citations omitted)); Gordon & Breach Sci. Publishers S.A. v. Am.
4 Inst. of Physics, 166 F.3d 438, 439 (2d Cir. 1999)(per
5 curiam)(same).²⁸ In other words, we have concluded that the key
6 is willfulness on the part of the defendants: "The finding of
7 willfulness determines the right to attorney's fees." Bambu
8 Sales, Inc. v. Ozak Trading Inc., 58 F.3d 849, 854 (2d Cir.
9 1995). We have no trouble agreeing with the district court on
10 the facts as we have described them that the infringement here
11 was willful, involving instances of fraud and bad faith. The
12 award of attorney's fees was therefore justified.

13 The defendants argue that even so, Louis Vuitton's
14 counsel's time and billing records were "scant" and "incomplete,"
15 thereby frustrating the inquiry into whether any of the hours
16 charged were duplicative or unnecessary. They argue that some of
17 the hours were for unnecessary work, because once the district
18 court denied the defendants' motion for a stay, the case became

²⁸ Many district courts have looked to the "'good faith' prong of the Polaroid test" for guidance "[i]n determining whether a defendant's infringing . . . conduct was carried out in bad faith" for purposes of determining whether to award attorney's fees. Pfizer Inc. v. Sachs, 652 F. Supp. 2d 512, 527 (S.D.N.Y. 2009)(internal quotation marks omitted); see also Polaroid, 287 F.2d at 495 (considering whether a defendant demonstrated good faith in registering its own mark or the "reciprocal" of good faith in trying to claim a close variation of a mark already registered).

1 "hopeless" and the plaintiff was "assured of a judgment in its
2 favor." The defendants also assert that Louis Vuitton failed to
3 provide appropriate documentation for the fees of its private
4 investigator and that the district court therefore should not
5 have awarded those fees as costs.

6 These arguments are unsupported by the record. In
7 assessing the reasonableness of attorney's fees, a court looks to
8 the amount of time spent as reflected in contemporaneous time
9 records, and then decides how much of that time was "reasonably
10 expended." Clarke v. Frank, 960 F.2d 1146, 1153 (2d Cir. 1992).
11 If the district court finds that some of the time was not
12 reasonably necessary to the outcome of the litigation, it should
13 reduce the time for which compensation is awarded accordingly.
14 See, e.g., Hensley v. Eckerhart, 461 U.S. 424, 434-35 (1983).

15 In the present case, Louis Vuitton produced more than
16 one hundred pages of complete billing records. Some of the
17 allegedly unnecessary work in fact resulted from the defendants'
18 own dilatory treatment of Louis Vuitton's discovery requests.
19 Moreover, Lam's and Chan's decision to invoke their Fifth
20 Amendment privilege did not render legal work already completed
21 unnecessary. We see no error on the part of the district court
22 in making these findings.

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