

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

CIVIL MINUTES – GENERAL

Case No. ED CV23-01575 JAK (SPx)

Date February 6, 2024

Title Balanced Body, Inc. v. Guangzhou Oasis, LLC

Present: The Honorable JOHN A. KRONSTADT, UNITED STATES DISTRICT JUDGE

T. Jackson

Not Reported

Deputy Clerk

Court Reporter / Recorder

Attorneys Present for Plaintiffs:

Attorneys Present for Defendants:

Not Present

Not Present

Proceedings: (IN CHAMBERS) ORDER RE PLAINTIFF’S SUPPLEMENTAL APPLICATION FOR DEFAULT JUDGMENT AGAINST DEFENDANT GUANGZHOU OASIS (DKT. 44)

I. Introduction

On August 7, 2023, Balanced Body, Inc. (“Balanced Body” or “Plaintiff”) brought this action against Guangzhou Oasis, LLC d/b/a trysauna.com (“Guangzhou Oasis”) and Trending Fit LLC d/b/a Elina Pilates (“Trending Fit”) (collectively, “Defendants”). Dkt. 1.¹ The Complaint alleges a single cause of action for design patent infringement. *Id.* ¶ 9. It seeks relief in the form of permanent injunctive relief, an order seizing the infringed products, money damages and an award of costs. *Id.* ¶¶ 18.

On October 1, 2023, Plaintiff filed an Application for Default Judgment Against Guangzhou Oasis (the “MDJ”). Dkt. 24. On November 30, 2023, an Order issued granting the MDJ in part (the “Prior Order”). Dkt. 37. The Prior Order granted the MDJ as to Defendant’s liability for patent infringement and Plaintiff’s request for injunctive relief, denied the MDJ with respect to Plaintiff’s request for an order of seizure and deferred the MDJ with respect to the amount of damages. *Id.* at 9. The Prior Order directed Plaintiff to file supplemental evidence as to its claimed amount of sales and corresponding profit margins to support its calculation of alleged damages. *Id.*

On January 29, 2024, Plaintiff filed a Supplemental Application for Default Judgment Against Guangzhou Oasis, which contains supplemental evidence of its damages calculation (the “Application”). Dkt. 44. For the reasons stated in this Order, the Application is **GRANTED**.

II. Analysis

A. Remedies upon Default Judgment

1. Legal Standards

“A default judgment must not differ in kind from, or exceed in amount, what is demanded in the pleadings.” Fed. R. Civ. P. 54(c). Further, the demand for relief must be specific. Fed. R. Civ. P. 8(a)(3). Therefore, “a default judgment must be supported by specific allegations as to the exact amount of

¹ On December 19, 2023, Trending Fit was voluntarily dismissed from the action. Dkt. 42.

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

CIVIL MINUTES – GENERAL

Case No. ED CV23-01575 JAK (SPx)

Date February 6, 2024

Title Balanced Body, Inc. v. Guangzhou Oasis, LLC

damages asked for in the complaint.” *Philip Morris*, 219 F.R.D. at 499. In addition, “Plaintiff must ‘prove up’ the amount of damages that it is claiming.” *Id.* at 501. “In determining damages, a court can rely on the declarations submitted by the plaintiff or order a full evidentiary hearing.” *Id.* at 498 (citing Fed. R. Civ. P. 55(b)(2)). “However, if the facts necessary to determine damages are not contained in the complaint, or are legally insufficient, they will not be established by default.” *Id.* (citing *Cripps v. Life Ins. Co. of N. Am.*, 980 F.2d 1261, 1267 (9th Cir. 1992)).

2. Application

The Patent Act provides a specific monetary remedy for design patent infringement. A person who infringes a design patent “shall be liable to the owner to the extent of his total profit, but not less than \$250.” 35 U.S.C. § 289. There are two steps to determine an award of damages under Section 289: (1) identifying the infringing article of manufacture; and (2) calculating the total profit made by the infringer on that article of manufacture. *Samsung Electronics Co., Ltd. v. Apple Inc.*, 580 U.S. 53, 58-59 (2016).

In the MDJ, Plaintiff requested total damages of \$1,608,978.50 based on Guangzhou Oasis’s sales of the allegedly infringing Elina Pilates Premium Aluminum Pilates Reformer (the “Accused Product”). Dkt. 37 at 4. To support its calculation of the total profit made on those articles of manufacture, Plaintiff relied on Guangzhou Oasis’s records of sales, which reflected that it had sold approximately 34,245 units among 27 different Pilates-related products. Dkt. 24 at 8. Given that Guangzhou Oasis described the Accused Product as a “best seller,” Plaintiff assumed that at least 1/27 of the sales should be attributed to the Accused Product, which would constitute approximately 1268 units. *Id.* Therefore, based on the price at which Guangzhou Oasis sold the Accused Product, and assuming that Guangzhou Oasis had at least the same profit margin on sales as Plaintiff, Plaintiff estimated that Guangzhou Oasis had approximately \$1,608,978.50 in profits from sales of the Accused Product. Dkt. 37 at 8-9. On that basis, Plaintiff requested that amount in damages pursuant to Section 289.

The Prior Order resolved all issues of liability and remedies with respect to default judgment, but reserved the issue as to the amount of damages. *Id.* at 9. It determined that, although Plaintiff had made certain reasonable assumptions to support its estimate of damages, its calculation was not sufficiently supported based on the evidence that had been proffered. *Id.* Therefore, the issue as to the amount of damages that should be awarded was deferred, and Plaintiff was provided with the opportunity to present supplemental evidence as to the amount of sales and the corresponding claimed profit margins. *Id.*

In response to the Prior Order, Plaintiff requested discovery from several non-parties, communicated directly with Guangzhou Oasis in an effort to have it participate in the litigation process and engaged an expert, Christian Tregillis (“Tregillis”), to assess the available evidence. Dkt. 44 at 3. Although Plaintiff’s efforts produced little additional evidence, Tregillis used all additional data, his valuation expertise and conservative economic assumptions to calculate an amended estimate of \$1.47 million in damages. *Id.* at 9. His calculations, which “largely agree with the calculations offered in Balanced Body’s original motion,” follow a simple three-step process of (i) identifying the sale price of the Accused Product, (ii) estimating the total number of infringing units sold and (iii) approximating Guangzhou Oasis’s profit margin on those sales. *Id.* at 9; Dkt. 44-1, Tregillis Report ¶ 19.

To identify the sale price of the Accused Product, Tregillis reviewed Guangzhou Oasis’s website,

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

CIVIL MINUTES – GENERAL

Case No. ED CV23-01575 JAK (SPx)

Date February 6, 2024

Title Balanced Body, Inc. v. Guangzhou Oasis, LLC

considered prices of the product over time and conservatively applied all available discounts in order to identify the “lowest price found at any time, \$2640.” Tregillis Report ¶ 23; *see id.* ¶¶ 19-22. Tregillis further discounted that price by 15.4%, or to \$2233, in order to exclude the value of non-infringing items, e.g., Guangzhou Oasis’s padded jump board and standard sitting box, that are bundled into the sale price of the Accused Product. *Id.* ¶¶ 26-27.

To estimate the total number of sales of the Accused Product, Tregillis identified a statement on Guangzhou Oasis’s website implying that the company had shipped over 34,245 orders as of September 18, 2023. *Id.* ¶¶ 28, 34. Given Tregillis’s finding that Guangzhou Oasis sells 28 -- not 27 -- distinct products, and that the Accused Product is described as a “best seller,” Tregillis estimated that one of each 28 units sold was an Accused Product, resulting in an estimate of 1223 units sold. *Id.* ¶¶ 28-29. Tregillis stated that this estimate is “conservative and leads to the understatement of Defendants’ profits” because each order could contain more than one product, the estimate of 34,245 orders assumed no sales since September 18, 2023, and the Accused Product was presumably sold more often than other products because of its “best seller” label. *Id.* ¶¶ 29, 32, 34. Tregillis further applied a 2.3% downward adjustment to his estimate of Guangzhou Oasis’s allegedly infringing sales to account for possible non-United States sales. *Id.* ¶ 42. This produced an overall estimate of “1223 units sold x \$2233 per unit x 97.7% US sales = \$2.67 million U.S. sales.” *Id.* ¶ 43.

To approximate Guangzhou Oasis’s profit margin on these sales, Tregillis applied as a proxy Plaintiff’s own 55% profit margin on sales of its Allegro 2 Reformers. *Id.* ¶¶ 45-47. Tregillis noted that, although this is an imprecise measure of the profit margin, a more certain estimate is not possible “[a]bsent production from Guangzhou Oasis.” *Id.* ¶ 48. Tregillis also stated that, applying Plaintiff’s profit margin as a proxy is a conservative approach, because Plaintiff manufactures all its products in the United States and likely incurs a relatively high cost of goods compared to other companies that engage in foreign manufacturing. *Id.* ¶ 46. Multiplying Plaintiff’s 55% profit margin by Guangzhou Oasis’s estimated \$2.67 million in U.S. sales was the basis for Tregillis’s final estimate that Guangzhou Oasis has received \$1.47 million in gross profits from sales of the Accused Product. *Id.* ¶ 51.

Tregillis’s calculations are comprehensive and well-reasoned. They account for appropriate considerations, including the effect of bundling and non-U.S. sales, and reflect realistic expectations about Guangzhou Oasis’s sales, prices and cost margins. Moreover, it is clear that Plaintiff was diligent in its efforts to obtain all available data, produce evidence and gather appropriate information to support its calculations. Therefore, Plaintiff’s calculation of \$1.47 million in damages is adequately supported. For this reason, Plaintiff’s request for money damages in this amount is **GRANTED**.

III. Conclusion

For the reasons stated in this Order, the Application is **GRANTED**. Within 10 days of the issuance of this Order, Plaintiff shall lodge a proposed judgment that is consistent with its terms.

IT IS SO ORDERED.

Initials of Preparer

tj