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February 2, 2024

File No. 34181.63

**VIA ECF**
Honorable Louis L. Stanton
United States District Judge
Southern District of New York
500 Pearl Street
New York, New York 10007

Re: *Chanel v. WGACA, LLC, et al.*
Case No. 18-cv-2253(LLS) - WGACA objections to Jury Charges

Dear Judge Stanton:

Defendant WGACA hereby presents its objections and suggestions to the Court's proposed Jury Charges that were delivered to the parties in person on February 1, 2024.

1. **WILLFUL INFRINGEMENT IS NOT A JURY QUESTION**:

There is no element of willfulness in any claim being made and the Court's current instructions seem to suggest that such a finding is relevant for later consideration of damages. As the Court has already held, however, Chanel's only claim for damages is statutory and the willfulness prong of statutory damages is for the Court, not the jury. In *B & F Systems v. LeBlanc*, 519 Fed Appx. 537, 540 (11th Cir 2013), the 11th Circuit held that under the Lanham Act, willfulness is ultimately a Court question and the jury's findings of willfulness are nonbinding and advisory. "Because we construe the district court as having properly considered the jury finding with respect to willfulness as merely advisory, error in the jury instruction, if any, would be harmless." Similarly, in *Concordia Pharms., Inc. v. Method Pharms., LLC*, 240 F. Supp. 3d 449, 454-55 (W.D. Va. 2017) the court held that the jury's finding on willfulness is not binding. "It is well-settled that no proof of intent or willfulness is required' to prevail on a claim for false advertising under the Lanham Act."

The court also currently has an instruction on what it means to be an innocent infringer. (page 11, lines 15-17). But the Special Verdict Form has no question directed to innocent infringement. As such, while we believe the willfulness question should not be posed to the jury, if the Court is inclined to do so, then we would similarly request that the jury be asked whether any alleged infringement is innocent. The instruction can simply be modified to say, "willfully or innocently".

2. **STATUTORY DAMAGES ARE "PER MARK PER TYPE OF GOODS SOLD" NOT PER BAG**.

The Court has instructed the jury that it should award statutory damage based on each handbag the jury finds is counterfeit. (page 16 ln 15-23). But this is an incorrect standard. The proper standard is that the jury should award statutory damages "per counterfeit mark per type of goods sold." *Coach, Inc. v. Horizon Trading USA, Inc*. 908 F. Supp 2d. 426, 437 (SDNY 2012- J. Engelmayer). Also see 15 U.S.C. 1117 (c)(1) which articulates the same standard. There is only type of good at issue, namely handbags. As such, in the event that the jury decides to award statutory damages, there should only be one award, not multiple awards.

The Court has also instructed the jury that it has the option to award up to $ 2 million in a case of willful infringement. But that is not a jury question, but only a Court question: "if the court finds that the use of the counterfeit mark was willful, not more than $2,000,000". 15 U.S.C. 1117 (c)(2)

3. **FALSE ADVERTISING** (pages 17 and 18 of the Court's proposed Jury Charges)

The Court adopted Chanel's proposed instruction which allows Chanel to argue that it need only be "likely" to be injured, not that Chanel must show that it has actually been injured. The law in the 2nd Circuit is clear that Chanel must prove that it has been actually injured and this Court has already held such. In the Court's summary judgment Order (Dkt #276 p. 51) the Court held that: "If a claim is based on "misleading, non-competitive commercials which touted the benefits of the products advertised but made no direct reference to any competitor's products [citations omitted) then "some indication of actual injury and causation would be necessary in order to ensure that a plaintiff's injury is not speculative,"". This Court went on to say: "As it is undisputed that Chanel and WGACA are not direct competitors, the presumption of injury will not apply…(and) Chanel has created a genuine issue of material fact as to whether it suffered reputational injury due to WGACA's alleged false advertising." The Court has thus expressly found that because WGACA and Chanel are "not direct competitors", that Chanel must show an actual injury in order to prevail.

In sum, we object to the charge as currently phrased and request that the charge be amended to require that Chanel illustrate that it has proven that it has actually been injured, not simply that it is likely to be injured.

In addition, item (3) (page 17, lines 20-22) should make reference to the fact that the "repairs" should read "materially altered". Simply repairing a good does not constitute trademark infringement.

Moreover, item (4) (page 17, lines 20-22) includes the reference to "vintage" which the Court has removed from the case. Indeed, at the bottom of page 18, the Court has indicated as much.

4. **IT IS PREJUDICIAL TO REFER TO THE BROWN POUCH AS A "PIRATED SERIAL NUMBER HANDBAG"** (page 13)

   The item at issue is a Brown pouch which bears serial number 10218184. The nomenclature using the word "pirated" is suggestive of the conclusion that Chanel wishes is reached.

5. **THE "POINT OF SALE ITEMS"** (page 14, line 1, page 17, lines 17-19)

   Chanel has named these as "point of sale" and "counter support" but these names are suggestive of facts that Chanel wishes the jury to adopt and in fact, there was evidence submitted that establishes that in fact they were not simply "counter support" or "point of sale". They are in fact "gift with purchase" or give away items. We appreciate that Chanel will not agree with that nomenclature either and so we would suggest that the items simply be referred to as the "779 items such as tissue boxes and trays".

6. **CLAIM 3 COUNTERFEIT LANGUAGE ON PAGE 16 LINES 3-7**.

   We object to the following statement in the proposed charge: "Testimony regarding deviations between genuine Chanel products and the contested goods, including discrepancies between Chanel records and the actual characteristics of the contested goods, is evidence that they were not made by Chanel and are counterfeit."

   To the contrary, the jury has heard that the Orli system has flaws, and therefore, any discrepancy between the Orli system (or Chanel's records) compared with the actual characteristics of the bags is NOT evidence that the bags are counterfeit. We would suggest that there is no reason to advise the jury of this and it is prejudicial because it is suggesting a conclusion based upon evidence that the jury may very well find is not at all supportive of the items being counterfeit.

Respectfully,

Daniel C. DeCarlo of
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cc: Counsel for Plaintiff (via ECF)