

UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF
CALIFORNIA

Happy CP Company Limited v. LB Accessories LLC, et al.

Happy CP · No. 2:24-cv-2274-TLN-JDP · Decided May 19, 2025

OPINION

Happy CP Company Limited v. LB Accessories LLC

PER CURIAM.

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8 UNITED STATES DISTRICT COURT

9 FOR THE EASTERN DISTRICT OF CALIFORNIA

10 11 HAPPY CP COMPANY LIMITED, Case No. 2:24-cv-2274-TLN-JDP 12 Petitioner,

13 v. FINDINGS AND RECOMMENDATIONS

14 LB ACCESSORIES LLC, et al., 15 Respondents. 16 17 Petitioner Happy CP Company
Limited (“Happy CP”) filed this action seeking to confirm 18 a foreign arbitration award that it
obtained against respondents LB Accessories LLC and Megan 19 Castillo. Respondents have not
appeared, and petitioner now moves for default judgment. ECF

20 No. 14. I recommend that the motion be granted.

21 Background 22 In September 2022, petitioner, a Hong Kong company, entered into a contract
with LB

23 Accessories LLC under which petitioner agreed to purchase a portion of LB Accessories’ future
24 receivables in exchange for a percentage of its monthly deposits, with payments secured by 25
irrevocable letters of instructions to banks and payment processors. ECF No. 1 at 3. Castillo 26
guaranteed LB Accessories’ performance under the contract, including payment of any 27
outstanding amounts, and agreed to indemnify petitioner against liabilities arising from the 28
contract. Id. 1 Petitioner alleges that LB Accessories defaulted on its obligations, including by
failing to 2 provide the necessary authorizations to banks and processors, leading to petitioner’s
termination 3 of the parties’ contract. Id. at 3-4. In July 2023, petitioner initiated arbitration, which
was 4 administered by the Hong Kong International Arbitration Centre, to recover the balance of
the 5 purchased amount and late fees. Id. at 4. On April 3, 2024, an arbitrator found that petitioner
6 lawfully terminated the contract and that respondents were liable for the purchase amount and
late 7 fees—totaling \$150,384.64—plus petitioner’s tribunal fees, legal expenses, and
administrative 8 costs.¹ Id. 9 Petitioner subsequently filed this action to confirm the arbitration
award. After several 10 unsuccessful attempts to personally serve respondents, petitioner moved to
complete service 11 pursuant to California Code of Civil Procedure section 415.30. ECF No. 6.
The court granted 12 that motion and ordered service to be completed by affixing a copy of the

complaint of summons 13 at respondents' address and by delivering the same via both mail and email. ECF No. 8. In early 14 2025, petitioner notified the court that it had completed service on December 30, 2024. ECF No. 15 10. After respondents failed to appear or to respond to the petition to confirm the arbitration 16 award, petitioner requested entry of their default, ECF No. 12, which the Clerk of Court entered 17 on February 3, 2025, ECF No. 13. The instant motion followed. ECF No. 14. 18 Legal Standard 19 Under Federal Rule of Civil Procedure 55, default may be entered against a party who 20 fails to plead or otherwise defend against an action. See Fed. R. Civ. P. 55(a). However, "[a] 21 defendant's default does not automatically entitle the plaintiff to a court-ordered judgment." 22 *PepsiCo, Inc. v. Cal. Sec. Cans*, 238 F. Supp. 2d 1172, 1174 (C.D. Cal. 2002) (citing *Draper v. 23 Coombs*, 792 F.2d 915, 924-25 (9th Cir. 1986)). Rather, the decision to grant or deny a motion 24 for default judgment is discretionary. *Aldabe v. Aldabe*, 616 F.2d 1089, 1092 (9th Cir. 1980). In 25 exercising that discretion, the court considers the following factors: 26 27 28 1 Respondents did not participate in arbitration. 1 (1) the possibility of prejudice to the plaintiff, (2) the merits of plaintiff's substantive claim, (3) the sufficiency of the complaint, 2 (4) the sum of money at stake in the action, (5) the possibility of a dispute concerning the material facts, (6) whether the default was 3 due to excusable neglect, and (7) the strong policy underlying the Federal Rules of Civil Procedure favoring decisions on the merits. 4 5 *Eitel v. McCool*, 782 F.2d 1470, 1471-72 (9th Cir. 1986). "In applying this discretionary 6 standard, default judgments are more often granted than denied." *Philip Morris USA, Inc. v. 7 Castworld Prods., Inc.*, 219 F.R.D. 494, 498 (C.D. Cal. 2003) (quoting *PepsiCo, Inc. v. Triunfo- 8 Mex, Inc.*, 189 F.R.D. 431, 432 (C.D. Cal. 1999)). 9 Generally, once default is entered "the factual allegations of the complaint, except those 10 relating to the amount of damages, will be taken as true." *TeleVideo Sys., Inc. v. Heidenthal*, 826 11 F.2d 915, 917-18 (9th Cir. 1987) (quoting *Geddes v. United Fin. Grp.*, 559 F.2d 557, 560 (9th 12 Cir. 1977)). However, "necessary facts not contained in the pleadings, and claims which are 13 legally insufficient, are not established by default." *Cripps v. Life Ins. Co. of N. Am.*, 980 F.2d 14 1261, 1267 (9th Cir. 1992). 15 Discussion 16 I. Appropriateness of the Entry of Default Judgment Under the Eitel Factors 17 The first two Eitel factors weigh in favor granting the petition to confirm arbitration and 18 entry of default judgment. 19 "Congress enacted Chapter Two of the Federal Arbitration Act ("FAA"), see 9 U.S.C. 20 §§ 201-208, to provide for the effective and efficient resolution of international arbitral disputes 21 after the United States entered into the United Nations Convention on the Recognition and 22 Enforcement of Foreign Arbitral Awards (New York, June 1958) ('the New York Convention' or 23 'Convention')." *Day v. Orrick, Herrington & Sutcliffe, LLP*, 42 F.4th 1131, 1133 (9th Cir. 2022). 24 "[A] party to a foreign arbitration may apply to federal district court 'for an order confirming the 25 award as against any other party to the arbitration.'" *Ministry of Def. of the Islamic Republic of 26 Iran v. Gould, Inc.*, 969 F.2d 764, 770 (9th Cir. 1992) (quoting 9 U.S.C. § 207). In considering a 27 petition to confirm an award, the "district court has little discretion: 'The court shall confirm the

28 award unless it finds one of the grounds for refusal or deferral of recognition or enforcement of
1 the award specified in the Convention.” Id. (emphasis in original). 2 An arbitration award falls
under the New York Convention if it arises “out of a legal 3 relationship, whether contractual or
not, which is considered as commercial” unless that 4 relationship is “entirely between United
States citizens.” 9 U.S.C. § 202. The burden of 5 demonstrating the existence of a New York
Convention lies with the party seeking to avoid 6 enforcement of the award. *Polimaster Ltd. V.*
RAE Systems, Inc., 623 F.3d 832, 836 (9th Cir. 7 2010). 8 Petitioner alleged that the arbitration
award arises out of contracts between it, a Hong 9 Kong limited liability company, and LB
Accessories, a California company, and Castillo, a 10 United States citizen. Accordingly, the
award falls under the New York Convention. Since 11 respondents have not appeared, they have
not met their substantial burden of showing that a 12 defense applies. Accordingly, the court
confirms the award under the New York Convention. 13 See *China Nat’l Metal Prods.*
Import/Export Co. v. Apex Digital, Inc., 379 F.3d 796, 799–800 14 (9th Cir. 2004) (“Our review
of a foreign arbitration award is quite circumscribed. Rather than 15 review the merits of the
underlying arbitration, we review de novo only whether the party 16 established a defense under
the Convention.”). Petitioner’s allegations demonstrate that the 17 arbitration award should be
enforced. 18 The remaining Eitel factors also weigh in favor of default judgment. Respondents
were 19 served, ECF Nos. 8 & 11, but have not responded. Thus, it appears that their default was
not due 20 to excusable neglect. Petitioner seeks default judgment of \$204,988.69—the amount of
damages 21 it sustained plus the costs incurred in arbitrating its claim—which is proportional to
the harm 22 resulting from respondents’ conduct. See *Landstar Ranger, Inc. v. Parth Enters., Inc.*,
725 23 F.Supp.2d 916, 921 (C.D. Cal. 2010). And when accepting petitioner’s allegations as true,
there 24 is little possibility of a dispute concerning material facts. See *Elektra Entm’t Grp. Inc. v.*
25 *Crawford*, 226 F.R.D. 388, 393 (C.D. Cal. 2005) (“Because all allegations in a well-pleaded 26
complaint are taken as true after the court clerk enters default judgment, there is no likelihood that
27 any genuine issue of material fact exists.”). Additionally, because respondents have not
appeared 28 in this action, petitioner has no way to obtain relief absent default judgment. Finally,
although 1 decisions on the merits are favored, such a decision is impossible where the defendant
declines to 2 take part in the action. See *Penpower Tech. Ltd. v. S.P.C. Tech.*, 627 F. Supp. 2d
1083, 1093 3 (N.D. Cal. 2008). Accordingly, petitioner is entitled to default judgment. 4 II.
Requested Relief 5 A party’s default conclusively establishes that party’s liability, although it does
not 6 establish the amount of damages. *Geddes v. United Fin. Group*, 559 F.2d 557, 560 (9th Cir. 7
1977) (stating that although a default established liability, it did not establish the extent of the 8
damages). When a party seek money damages, it is required to “prove-up” its damages by 9
submitting admissible evidence that supports its damage calculation. *Amini Innovation Corp. v. 10*
KTY Int’l Mktg., 768 F. Supp. 2d 1049, 1053-54 (C.D. Cal. 2011); see also *Rodriguez v. Wallia*,
11 No. C-11-03854 EDL, 2012 WL 1831579, *1 (N.D. Cal. Apr.18, 2012) (“Rule 55(b)(2) allows,
12 but does not require, the court to conduct a hearing on damages, as long as it ensures that there

is 13 an evidentiary basis for the damages awarded in the default judgment.”). 14 Petitioner has provided a copy of the final award from arbitration, which shows that 15 respondents were ordered to pay \$150,384.64 for breaching the parties’ contract and guarantee 16 agreement, plus \$13,553.40 (HK\$105,600.00) for the Tribunal’s fees, \$36,506.40 17 (HK\$284,434.93) for petitioner’s legal fees and expenses, and \$4,544.25 (HK\$35,406.00) 18 administrative fees. Accordingly, petitioner is entitled to a total award of \$204,988.69. 19 III. Attorney’s Fees and Costs 20 Petitioner also seeks \$43,875.50 in attorneys’ fees and \$1,872.75 in costs that it incurred 21 in bringing this suit. Under Federal Rule of Civil Procedure 54(d), “[a] claim for attorney’s fees 22 and related nontaxable expenses must be made by motion unless the substantive law requires 23 those fees to be proved at trial as an element of damages.” Fed. R. Civ. P. 54(d)(2)(A). 24 Additionally, this court’s local rules require a party seeking an award of attorney’s fees to submit 25 an affidavit addressing certain criteria that the court will consider in determining whether an 26 award of attorney’s fees is appropriate. See E.D. Cal. L. R. 293(b) and (c). The local rules also 27 provide that “[w]ithin fourteen (14) days after entry of judgment or order under which costs may 28 be claimed, the prevailing party may serve on all other parties and file a bill of costs conforming 1 to 28 U.S.C. § 1924.” E.D. Cal. L. R. 292. Pursuant to 28 U.S.C. § 1924, a party claiming any 2 | item of cost must submit a bill of costs together with an affidavit demonstrating that the “item is 3 | correct and has been necessarily incurred in the case... .” 4 Petitioner has not submitted an affidavit addressing the criteria listed in Local Rule 293. 5 | It has also failed to submit a bill of cost conforming to 28 U.S.C. § 1924. See E.D. Local Rule 6 | 292. Accordingly, its request for attorney’s fees and costs should be denied without prejudice. 7 Accordingly, it is hereby RECOMMENDED that: 8 1. Petitioner’s motion for default judgment, ECF No. 14, and petition to confirm the 9 | arbitration award, ECF No. 1, be GRANTED. 10 2. Judgment be entered against respondents, jointly and severally liable, in the amount of 11 | \$204,988.69. 12 3. Petitioner’s request for costs and attorney’s fees be DENIED without prejudice to 13 | filing a motion in accordance with the court’s local rules. 14 4. The Clerk of Court be directed to close this case. 15 These findings and recommendations are submitted to the United States District Judge 16 | assigned to the case, pursuant to the provisions of 28 U.S.C. § 636(b)(). Within fourteen days of 17 | service of these findings and recommendations, any party may file written objections with the 18 | court and serve a copy on all parties. Any such document should be captioned “Objections to 19 | Magistrate Judge’s Findings and Recommendations,” and any response shall be served and filed 20 | within fourteen days of service of the objections. The parties are advised that failure to file 21 | objections within the specified time may waive the right to appeal the District Court’s order. See 22 | Turner v. Duncan, 158 F.3d 449, 455 (9th Cir. 1998); Martinez v. Yist, 951 F.2d 1153 (9th Cir. 23 | 1991). 24 95 IT IS SO ORDERED. 26 | q Sty — Dated: _ May 19, 2025 _————

27 JEREMY D., PETERSON

UNITED STATES MAGISTRATE JUDGE

