

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

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CARTIER INTERNATIONAL B.V.;
RICHEMONT INTERNATIONAL, S.A.;
ALFRED DUNHILL LTD.; LANGE
UHREN GmbH; and MONTBLANC-SIMPLO,
GmbH,

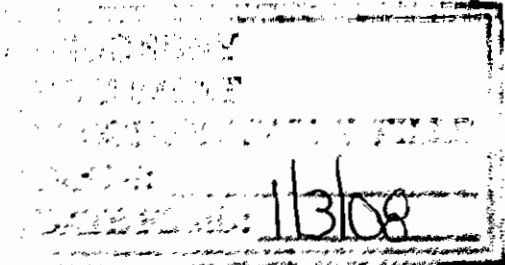
06 Civ. 3917

Plaintiffs,

OPINION

-against-

ILAN BEN-MENACHEM; DAVID BEN-MENACHEM;
KING REPLICA; DAVIDS LUXURY; REPLICA
KINGDOM a/k/a SWISS KINGDOM; BRANDED
LUXURY d/b/a/ BS GIFTS; VERTEXO, INC.;
AVIV BEN-MENACHEM; CHANA BEN-MENACHEM;
TRAVEL DERECH TSLECHA; AVILAN
MARKETING LLC; JOHN DOES 2-10; JANE
DOES 2-10; AND XYZ COMPANIES 3-10,



Defendants.

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A P P E A R A N C E S:

Attorneys for Plaintiffs

GREENBERG TRAURIG, LLP
MetLife Building
200 Park Avenue
New York, NY 10166
By: Harley Lewin, Esq.
Scott Gelin, Esq.

Sweet, D.J.

For the reasons set forth below, the Plaintiffs' motion for summary judgment, which is unopposed, is granted.

Prior Proceedings

The Plaintiffs commenced this action on May 23, 2006, and on that date, a temporary restraining order, seizure order, and order for expedited discovery, asset restraint and to show cause for a preliminary injunction was issued and was executed on May 24, 2006 (the "May 23 Order" or the "Order").

On June 5, 2006, the Plaintiffs moved for contempt arising out of the facts set forth below. A hearing of the contempt motion and a trial of the underlying action were set for April 24, 2007.

Following an evidentiary hearing unopposed by Defendants on June 15, 2006, this Court entered a Preliminary Injunction against Defendants (the "June 15 Order") which required, inter alia, that:

Defendants shall deliver to Plaintiffs' attorneys, within two (2) days from the date of this Order, all of the documents, records, things and other items seized by Plaintiffs' representatives during their execution of the Order. . . .

The Plaintiffs sought discovery and, after efforts described below, the Plaintiffs requested removal of the action from the trial calendar and filed the instant motion for summary judgment, which was marked submitted on June 6, 2007.

The Facts

The facts with respect to discovery in this action, the products of the Plaintiffs, and their efforts to enforce their copyrights, as well as the conduct of the Defendants, are set forth in the Plaintiffs' Local Rule 56.1 Statement, which is unopposed. See Gubitosi v. Kapica, 154 F.3d 30, 31 (2d Cir. 1998) (accepting as true facts set forth in unopposed Local Civil Rule 56.1 statement).

The Plaintiffs have been engaged for many years in the business of manufacturing and distributing various types of high-quality luxury products, including, inter alia, watches, watch buckles, bracelets, scarves, handbags, lighters, pens, belts, belt buckles, letter openers, and

eyewear under a number of trademarks and trade names ("Plaintiffs' Products"). Plaintiffs own the entire right, title and interest in and to Plaintiffs' federally registered trademarks (the "Plaintiffs' Marks"), most of which are incontestable.

Plaintiffs have used and are currently using the registered Plaintiffs' Marks in commerce in the United States and throughout the world in connection with their sale of Plaintiffs' Products. Over the years, Plaintiffs have enjoyed extraordinary success by designing, developing, and marketing an extensive line of luxury goods, which are known for their unique shapes, styles, and overall appearances.

Plaintiffs manufacture, merchandise, and market all of Plaintiffs' Products with a concern for design, artistry, workmanship, and material quality, as well as their projected image, goodwill and long-term growth. Plaintiffs have earned a reputation for high-quality luxury products. The Plaintiffs' policy is that only high-quality goods be produced under Plaintiffs' Marks and they maintain quality control over the manufacture, sale, and servicing of

Plaintiffs' Products throughout the United States and the world.

Each year, Plaintiffs spend millions of dollars in advertising, promoting, and developing Plaintiffs' Marks throughout the world. As a result, products bearing Plaintiffs' Marks are closely associated with Plaintiffs' reputation in the eyes of the public, customers, and the luxury goods industry. Plaintiffs' Marks have come to symbolize Plaintiffs' enormous goodwill and are invaluable assets of Plaintiffs.

Investigations commenced in July 2005 by Plaintiffs' representatives revealed that Defendants have imported, exported, distributed, advertised, offered for sale, and sold counterfeit watches bearing Plaintiffs' Marks, including A. Lange & Sohne, Cartier, Lanieres, Baignoire, Tortue, Tankissime, Panthere, Pasha de Cartier, 21 Chronoscaph, Santos de Cartier, Divan, Dunhill, Vacheron Constantin, Jaeger-Lecoultre, IWC, Montblanc, Piaget, Luminor, and Panerai (the "Counterfeit Products") through, among other locations, approximately fifteen websites (the "Websites"), including but not limited to those located at:

kingreplica.com, swisskingdom.com, vertexo.com, davidluxury.com, davidsluxury.com, replicakingdom.com, and watches-boutique.com.

Defendants Ilan Ben-Menachem ("Ilan"), Aviv Ben-Menachem ("Aviv"), David Ben-Menachem ("David"), and Chana Ben-Menachem ("Chana") operated the Websites, and operated the following Defendant counterfeiting entities (the "Defendant Businesses"): King Replica, Davids Luxury, Replica Kingdom a/k/a Swiss Kingdom, Branded Luxury d/b/a BS Gifts, Vertexo, Inc., Avilan Marketing LLC, and Travel Derech Tslecha ("Travel").

The Defendants operated the Websites and Defendant Businesses and sold and distributed the Counterfeit Products from their home at 939 East 13th Street, Brooklyn, New York, 11230 (the "Premises"), as well as other locations. The Defendants had been operating their Websites since at least May 2004 and through their Websites and Defendant Businesses, advertised, offered for sale, and sold counterfeit watches bearing copies of Plaintiffs' Marks and designed to look exactly like genuine Plaintiffs' Products. Plaintiffs did not in any way authorize or consent to the Defendants' sale of the Counterfeit Products.

The Websites displayed photographs of watches bearing exact duplicates of Plaintiffs' Marks and designed to look like genuine Plaintiffs' Products.

The "Contact Us" page of the Website located at kingreplica.com (the "King Replica Website") listed for customer service the telephone number: 206-333-0050. An investigator for Plaintiffs called this telephone number and received a message that he had reached Branded Luxury customer service.

A database search for the King Replica Website revealed fifteen domain names listed on the same server, including the following watch-related websites: replicakingdom.com, davidsluxury.com, davidluxury.com, and watches-boutique.com.

A WhoIs database search for replicakingdom.com listed the following contact information: Ilan Ben-Menachem, 939 East 13th Street, Brooklyn, NY, 11230, Tel: 917-370-3154, Email: apogee91@gmail.com. A domain name system report for

replicakingdom.com confirmed that the host master email address was apogee91@gmail.com.

A WhoIs database search for vertexo.com listed the following contact information: Vertexo Web Designs, Ilan Ben-Menachem, 939 East 13th Street, Brooklyn, NY, 11230, Tel: 917-370-3154, Email: ilanbm@hotmail.com.

Domain name system reports for davidsluxury.com indicated that the host master email address for the site was ilan@vertexo.com.

On August 10, 2005, an investigator for Plaintiffs accessed the King Replica Website and ordered a watch bearing Plaintiffs' Cartier Marks for \$246.00. On August 11, 2005, Plaintiffs' investigator received an email from "David Angelino" at sales@kingreplica.com inquiring whether he wanted the male Cartier Tank watch. Plaintiffs' investigator responded, requesting a male Cartier Tank watch. On August 23, 2005, Plaintiffs' investigator received a package with an EMS/China Posting Tracking sticker on it bearing a return address in Chinese (the "Package").

The Package contained a white box bearing the

mark Cartier. Inside the white box was a red leather box bearing the mark Cartier. The box contained one men's silver watch in the Cartier Tank design and bearing the mark Cartier on the watch face, watch back, and wristband clasp (the contents of the Package are collectively referred to herein as the "Counterfeit Watch").

Upon inspection, Plaintiffs' representative confirmed that the Counterfeit Watch is not a genuine Plaintiffs' watch but rather an inferior counterfeit replication. On August 23, 2005, Plaintiffs' investigator noted a credit card charge of \$246.00, the price paid for the Counterfeit Watch, charged by BS Gifts, Tel: 718-701-3323.

An internet search for telephone number 718-701-3323 revealed that it is listed as the contact number on Defendants' Website davidsluxury.com.

Defendants' Website davidsluxury.com additionally lists an address of "PMB 122 28262 Chardon Rd., Willoughby Hills, Oh, 44092."

On March 23, 2006, another Plaintiffs' investigator

sent an email to sales@kingreplica.com inquiring about purchasing a watch bearing the Cartier mark with a money order. Later that same day, Plaintiffs' investigator received a reply email from "David Angelino" stating that she could send a money order to: Branded Luxury, 130 Church Street #361, New York, NY, 10007. This reply email listed the Defendants' Website swisskingdom.com under the electronic signature for David Angelino. On March 27, 2006, Plaintiffs' investigator sent a money order in the amount of \$315.00 to 130 Church Street #361, New York, NY, 10007, to purchase a watch bearing the Cartier marks. On March 31, Plaintiffs' investigator received an email from sales@kingreplica.com by "David Moreno" stating that the money order was received and the order was being processed. On April 10, 2006, Plaintiffs' investigator received a package which contained a white cardboard sleeve with the Cartier mark printed on it, as well as a red box bearing the Cartier mark. Inside this package, Plaintiffs' investigator found a watch, silver in color, in the Cartier Tank design (the "Second Counterfeit Watch") and bearing the Cartier marks on the face, watch back and wristband.

Plaintiffs' investigator marked the Second Counterfeit Watch as evidence for identification and

photographed it. Upon inspection, Plaintiffs' representative confirmed that the Second Counterfeit Watch is not a genuine Plaintiffs' watch but rather an inferior counterfeit replication.

Pursuant to the May 23 Order, on May 24, 2006, Plaintiffs' investigators and attorneys, accompanied by a police officer, arrived at the Premises to conduct a seizure. They were met at the front door of the Premises by a woman who stated that no one else was present, and that she did not know anything about a counterfeit watch operation.

After gaining entry to the house, Plaintiffs' representatives discovered that a young man, two teenage girls, and a preteen boy, all apparently residents of the house, and a housekeeper were inside. The young man refused to identify himself, but picture identification discovered later that he was Defendant Aviv Ben-Menachem. Plaintiffs' attorney advised Aviv to call his attorney, as well as Defendants Ilan, Chana, and David. Aviv replied that he could not reach any of them.

Throughout Plaintiffs' execution of the Order, Aviv behaved in an aggressive and threatening manner towards

Plaintiffs' representatives. At the urging of Plaintiffs' representatives, Aviv called 9-1-1, leading to the arrival of five additional uniformed police officers at the Premises. These officers confirmed that Aviv must cooperate with Plaintiffs' representatives in their execution of the Order. Aviv proceeded to follow Plaintiffs' representatives around the house, attempting to hide evidence, and generally disrupting the seizure and execution of the Order.

Plaintiffs' representatives collected several watches and watch boxes bearing Plaintiffs' Marks, one entire banker's box and separate file folder of documents relating to Defendants' counterfeit watch business, and two computer towers and a laptop computer likely used in Defendants' counterfeit watch business. Among the documents collected by Plaintiffs' representatives were documents that demonstrated: (a) that Defendants were selling large quantities of replica watches on the Websites; (b) that Defendants were corresponding with entities and individuals in Hong Kong and China to import and distribute Counterfeit Products; (c) that Defendants had set up off-shore accounts and foreign corporations, including in Panama; (d) that Defendant Ilan Ben-Menachem reported an income of \$800,000 in 2005; and (e) that Defendants were selling several

hundred thousand dollars of counterfeit watches, including the Counterfeit Products, monthly. Plaintiffs' representatives photographed and placed evidence tags on watches bearing Plaintiffs' Marks presumed to be Counterfeit Products.

When one of Plaintiffs' investigators was nearly finished with boxing and tagging as evidence watches bearing Plaintiffs' Marks and documents relating to Defendants' counterfeit watch business, he was alone on the first floor of the house. Plaintiffs' investigator had in his possession at this time a banker's box and file folder of documents, a laptop, two computer towers, and an evidence bag containing ten watches bearing Plaintiffs' Marks and several watch boxes. He was then confronted by Aviv and an unidentified man seen earlier outside the Premises. Aviv and the unidentified man approached Plaintiffs' investigator, pushed him, and tried to hit him. The unidentified man grabbed the folder of documents and ran from the room. Plaintiffs' investigator clutched the box of documents firmly as Aviv and the unidentified man, who had returned to the room, tried to push Plaintiffs' investigator to the ground, and tried to wrest the box of documents from his hands. Aviv and the unidentified man succeeded in

ripping the box of documents, sending documents flying, and gathered the ripped box and documents and ran out the front door.

The police officer accompanying Plaintiffs' representatives had taken possession of a lockbox located in the Travel Derech Tslecha office in the basement of the house. Defendant Chana Ben-Menachem arrived at the house and began to attack the police officer holding the lockbox. Chana then tried to grab the evidence bag described above. Plaintiffs' representatives and the police officers tried to prevent Chana from taking the bag. The laptop computer and evidence bag were then placed on the coffee table just inside the front door on the first floor.

Chana then handed one of Plaintiffs' attorneys a cordless phone and informed him that her attorney, Asher White, was on the line and wished to confer. Plaintiffs' attorney began to speak with White about the Plaintiffs' execution of the Order.

While the police officers (totaling approximately ten, uniformed and undercover) were speaking with Plaintiffs' representatives on the front porch and

Plaintiffs' attorney was speaking with Defendants' attorney, Chana locked the front door of the house and drew the blinds. She refused to open the door when the police officers knocked. When uniformed police officers regained entry to the house, Plaintiffs' representatives noticed that the evidence bag and the laptop computer, which had all been on the coffee table just inside the doorway, were missing. Plaintiffs' representatives were not able to recover from the house the documents, laptop computer, or the evidence bag of watches bearing Plaintiffs' Marks described above, or the lockbox described above, and were forced to leave the Premises without this evidence.

Pursuant to the May 23 Order, on May 24, 2006, Plaintiffs' investigators and attorney, accompanied by a police officer, also entered the premises of 1367 Coney Island Avenue, Brooklyn, NY, 11230, to conduct a seizure. This location had been used by Defendants as an office to operate their counterfeit watch business. At 1367 Coney Island Avenue, Plaintiffs' representatives seized approximately one folder of business records relating to Defendants' counterfeit watch business, as well as a postal scale, shipping labels, and envelopes. Documents seized at 1367 Coney Island Avenue corroborate the documents gathered

by Plaintiffs' representatives at the Premises but absconded with by Defendants.

Documents seized at 1367 Coney Island Avenue included evidence of:

- (a) a wire transfer on March 30, 2006, in the amount of \$36,250.00 from Defendant Avilan Marketing LLC into an off-shore account in the name of Defendant Chana Ben-Menachem;
- (b) a merchant application to Credicorp Bank on behalf of Luxury Goods, Inc., identified on the application as a corporation existing in Panama City, Panama, to provide credit card processing for the website bagsnstyle.com. The merchant application estimates a monthly sales volume on the website of \$600,000. This application was faxed to Credicorp Bank from Defendant Travel Derech Tslecha.

Starting on May 24, 2006, the day Plaintiffs' representatives attempted to execute the May 23 Order at the Premises, Plaintiffs' attorneys were in contact with Defendants' then-counsel, Asher White ("White"), concerning

Defendants' physical attacks on Plaintiffs' investigators and Defendants' absconding with and hiding of the Counterfeit Products and other evidence gathered by Plaintiffs' representatives.

On May 30, 2006, White asked Plaintiffs' counsel to forgo filing a Motion for Contempt and represented to Plaintiffs' counsel that Defendants would return all documents and things hidden by Defendants during the execution of the May 23 Order. On May 31, 2006, White informed Plaintiffs' counsel that Defendants had provided to him what Defendants represented were all of the documents and things collected by Plaintiffs' representatives during the execution of the Order. White confirmed that these items included the evidence bag of Counterfeit Products collected by Plaintiffs' representatives. Later on May 31, 2006, Plaintiffs' messenger retrieved the items described above from White's office and delivered them to Plaintiffs' counsel.

The items retrieved from White's office consisted of a banker's box, approximately one-eighth full of documents, two computer towers, and a laptop computer. The banker's box appeared to be the same box used by Plaintiffs'

representatives to gather documents during the execution of the Order. The box had writing on the top identifying where in the Premises the collected documents were found. The box also appeared to be ripped and bent in a way that comports with the struggle over the box between Plaintiffs' investigator and Aviv and the unknown man.

The documents retrieved from White's office, however, did not include the folder of documents collected by Plaintiffs' representatives during the execution of the Order and taken back by Defendants. The documents also did not include the following documents which Plaintiffs' representatives had collected during the execution of the Order: (a) documents evidencing Defendants' sales of large quantities of Counterfeit Product on the various Defendants' Websites; (b) documents evidencing Defendants' partnership with entities and individuals in Hong Kong and China to import and distribute counterfeit watches; (c) documents evidencing Defendants' establishment of several off-shore bank accounts and foreign corporations, including in Panama; (d) documents evidencing Defendants' wire transfers of large sums out of the United States; (e) Defendant Ilan Ben-Menachem's tax return; and (f) documents evidencing involvement of Chana and Travel in the counterfeit watch

operation.

The documents provided by White included documents that Plaintiffs' representatives had not originally collected which had nothing to do with Defendants' counterfeit watch business.

White did not provide to Plaintiffs' counsel any of the watches or watch boxes bearing Plaintiffs' Marks that had been collected by Plaintiffs' representatives and put into an evidence bag during the execution of the Order.

Additionally, a large number of files, including those in folders bearing the name "Cartier" and other of Plaintiffs' brands, had been deleted from the laptop provided by White.

After Plaintiffs' counsel reviewed the items retrieved from White, he telephoned White and told him of the missing documents and items. White confirmed that those items comprised everything that had been provided to him by Defendants.

On November 1, 2006, Defendants Aviv, Ilan, Avilan

Marketing LLC, Branded Luxury, Davids Luxury, King Replica, Replica Kingdom, and Vertexo, Inc. filed an opposition to Plaintiffs' Motion for Contempt.

Aviv admitted in his sworn declaration to taking items from Plaintiffs' representatives during the execution of the Order. He also admitted to disposing of the watches and watch boxes bearing Plaintiffs' Marks collected by Plaintiffs' representatives despite the fact that he had been served by the Order and was already represented by counsel.

Ilan and Aviv, King Replica, Davids Luxury, Branded Luxury d/b/a BS Gifts, Avilan Marketing LLC, and Vertexo, Inc. admitted in interrogatory responses to disposing of the Counterfeit Products described above and that they refused to comply with the Order and deliberately prevented Plaintiffs from executing the Order by (a) physically attacking Plaintiffs' representatives, (b) barring access to the Premises, (c) concealing the Counterfeit Products, and (d) forcibly taking back documents and items that had been identified and collected by Plaintiffs pursuant to the Order.

Aviv admitted he knew that the Counterfeit Products collected by Plaintiffs' representatives during execution

of the Order "were replica watches" and that he and Ilan were in the watch business selling replica watches.

Following the entry of the June 15 Order, on July 25, 2006, former counsel for Aviv, Ilan, Avilan Marketing LLC, Branded Luxury d/b/a BS Gifts, Davids Luxury, King Replica, Replica Kingdom a/k/a Swiss Kingdom, and Vertexo, Inc. filed a letter representing to the Court that these Defendants had produced all documents requested by Plaintiffs within the possession custody or control of these Defendants.

On June 29 and August 7, 2006, Defendants produced only approximately 200 pages of documents, collectively, while Plaintiffs collected approximately eight times that amount during their execution of the May 23 Order. These documents produced by Defendants do not include those collected by Plaintiffs' representatives during the execution of the Order which were taken back by Defendants.

The June 15 Order additionally required that:

Defendants shall deliver to Plaintiffs' attorneys, within ten (10) days from the date of this Order, copies of all accountant's reports, bank statements, tax returns, certificates of deposit, notes, bonds, checking accounts, trust accounts, money market or GNMA

accounts, savings accounts or other financial institution records or documentation showing investments or deposits, and documents indicating title to any real or personal property in each of the Defendants' actual or constructive possession or control.

Defendants have not provided to Plaintiffs any information about overseas accounts in the names of David and Chana or any information about funds transferred into those accounts.

On December 12, 2006, Plaintiffs served counsel for Ilan, Aviv, King Replica, Replica Kingdom a/k/a Swiss Kingdom, Davids Luxury, Branded Luxury d/b/a BS Gifts, Avilan Marketing LLC, and Vertexo, Inc. with Plaintiffs' First Requests for the Production of Documents and Things and Plaintiffs' First Set of Interrogatories ("Plaintiffs' Interrogatories"), returnable January 2, 2007. In response to Plaintiffs' Interrogatories, Defendants Ilan, Aviv, King Replica, Davids Luxury, Branded Luxury d/b/a BS Gifts, Avilan Marketing LLC, and Vertexo, Inc. maintained that Plaintiffs' representatives had been given all documents, electronic or otherwise, relating to the Counterfeit Products. The response to Plaintiffs' Interrogatories admits that watches were acquired from a source in China.

David has admitted that funds were wired to China from the Travel account to purchase merchandise at the request of Aviv and Ilan.

Aviv and Ilan, along with their companies, admitted to attempting to start overseas businesses and to having foreign contacts, including contacts with companies in the United Kingdom, Hong Kong, the Philippines, and Panama.

Though Aviv and Ilan, and the Defendant Businesses (excluding Defendant Travel Derech Tslecha), including Defendant Avilan Marketing, deny forming foreign entities and opening foreign accounts, financial records obtained by Plaintiffs' subpoenas show that Defendant Avilan Marketing transferred over \$200,000 to overseas accounts maintained by David and Chana. Defendants have refused to provide any information about these accounts.

The response to Plaintiffs' Interrogatories admits that "Bagsnstyle.com" operated on servers of Defendants. Though "LaPeree.com," "LaPeree Distribution Center," and "LaPeree Malls" are mentioned on Defendants' website replicakingdom.com, the response to Plaintiffs' Interrogatories denies knowledge of any such entities.

On or about March 1, 2007, Plaintiffs' counsel served Notices of Deposition of David, Chana, Aviv, and Ilan on the respective Defendant's counsels for March 15, 16, 19, and 20. From the time of the hearing on Plaintiffs' Motion for Contempt on January 25, 2007, through the deposition dates, until the close of discovery on March 22, 2007, Plaintiffs' counsel made numerous calls to each Defendant's counsel in an attempt to schedule these depositions.

Former counsel for Ilan, Aviv, King Replica, Replica Kingdom, Swiss Kingdom, Davids Luxury, Branded Luxury d/b/a BS GIFTS, Avilan Marketing LLC, and Vertexo, Inc. informed Plaintiffs' counsel that his clients would not appear at the depositions.

Counsel for David and Chana and Travel also informed Plaintiffs' counsel that his clients would not appear at the depositions.

White filed a Motion to be Relieved as Counsel, citing his clients' non-communication, on February 27, 2007. The Court granted this motion on March 26, 2007.

David has admitted that he and Chana, his wife, "set up the account" and gave approximately \$150,000 to their sons, Ilan and Aviv, to start the counterfeiting operations. Financial records obtained by Plaintiffs' subpoenas confirm that David and Chana maintain overseas accounts and received large transfers from Defendant Avilan Marketing LLC.

Records obtained by Plaintiffs' subpoena to Central Bancard LLC shows two different merchant accounts opened by David and Chana. Account number 204026 with Central Bancard LLC was for Defendant Branded Luxury (the "Branded Luxury Merchant Account"). The application for the Branded Luxury Merchant Account indicated that Defendant Branded Luxury is a sole proprietorship wholly-owned by David Ben-Menachem. This application provided Travel Derech Tslecha as a merchant reference and "Hanna" as the contact person.

The Branded Luxury Merchant Account application described the merchandise being sold as "watches" and shows that the online store is located at www.kingreplica.com. The application indicated that proceeds from the Branded Luxury Merchant Account were to be transferred into a Washington Mutual Bank account ending in digits -516. A sales report

for the Branded Luxury Merchant Account provided by Central Bancard LLC shows \$124,280 in credit card sales over a period of approximately four months for kingreplica.com.

The Washington Mutual Bank account is in the name of Defendants Branded Luxury, David, and Chana (the "Branded Luxury Checking Account"). Statements for the Branded Luxury Checking Account show monthly deposits of tens of thousands of dollars from the Branded Luxury Merchant Account. The Branded Luxury Checking Account was also used to make monthly payments to "Google Ad Words". These payments indicate that Defendants paid Google, the internet search engine, to feature Defendants' Websites prominently in paid advertisement search results when Google users entered search requests related to replica watches.

The Branded Luxury Checking Account was used by David and Chana to pay their own personal expenses and David and Chana also transferred funds from the Branded Luxury Checking Account into their many other accounts, including overseas accounts.

Defendants used the Branded Luxury Checking Account to transfer funds into and out of accounts in the name of

Travel, as well as among their personal accounts. David signed checks for payments from the Branded Luxury Checking Account, and Chana endorsed them to make deposits into an account in the name of Travel.

The two computer towers seized by Plaintiffs' representatives during execution of the May 23 Order contain document folders containing document files related to counterfeit watches, intermingled with David's academic papers. These documents include: a copy of defendant David's New York driver's license next to a copy of a cancelled check from the Branded Luxury Checking Account; a memorandum from David to Central Bancard LLC entitled "How I Will Avoid Chargebacks in the Future"; and a compilation of standard correspondence to buyers of counterfeit watches. Some of these form letters are from Aviv at the 1367 Coney Island Avenue address, others from "B. Luxury" at 130 Church Street, others from "David Angelino" and others from "David Moreno".

Ilan and Vertexo, Inc. have previously been sued for trademark counterfeiting relating to their Website bagnstyle.com in another judicial district of this Circuit.

See Louis Vuitton Malletier S.A. et al. v. Ben-Menachem et al., No. CV 05-4844 (E.D.N.Y. filed Oct. 14, 2005).

Ilan and Branded Luxury, LaPeree Distribution Center, as well as Websites davidsluxury.com, replicakingdom.com, kingreplica.com, and swisskingdom.com were sued for trademark counterfeiting in another judicial district of this Circuit. See Rolex Watch U.S.A., Inc. v. Ben-Menachem et al., No. 06 Civ. 6687 (E.D.N.Y. filed Dec. 20, 2006).

The Summary Judgment Standard

In deciding a motion for summary judgment, a court shall render judgment "forthwith if the pleadings, depositions, answers to interrogatories, and admissions on file, together with the affidavits, if any, show that there is no genuine issue as to any material fact and that the moving party is entitled to a judgment as a matter of law." Fed. R. Civ. P. 56(c); see also Celotex Corp. v. Catrett, 477 U.S. 317, 322 (1986); Weinstock v. Columbia Univ., 224 F.3d 33, 41 (2d Cir. 2000).

The moving party has the initial burden of showing

that there are no material facts in dispute, Adickes v. S.H. Kress & Co., 398 U.S. 144, 157 (1970), and can discharge this burden by demonstrating that there is an absence of evidence to support the nonmoving party's case, Celotex, 477 U.S. at 325. The nonmoving party then must come forward with "specific facts showing that there is a genuine issue for trial," Fed. R. Civ. P. 56(e), as to every element "essential to that party's case, and on which that party will bear the burden of proof at trial." Celotex, 477 U.S. at 322.

The court "must resolve all ambiguities and draw all reasonable inferences in favor of the party defending against the motion." Eastway Constr. Corp. v. New York, 762 F.2d 243, 249 (2d Cir. 1985). However, the court must inquire whether "there is sufficient evidence favoring the nonmoving party for a jury to return a verdict for that party." Anderson v. Liberty Lobby, Inc., 477 U.S. 242, 249 (1986). If there is not, summary judgment is proper. See id. at 249-50.

It is the law of this Circuit that "even when a nonmoving party chooses the perilous path of failing to submit a response to a summary judgment motion, the district court may not grant the motion without first examining the

moving party's submission to determine if it has met its burden of demonstrating that no material issue of fact remains for trial" and that summary judgment is appropriate as a matter of law. Amaker v. Foley, 274 F.3d 677, 681 (2d Cir. 2001); see also Vt. Teddy Bear, 373 F.3d 241, 244 (2d Cir. 2004); Mattel, Inc. v. Pitt, 229 F. Supp. 2d 315, 320 (S.D.N.Y. 2002). In determining whether the moving party has met its burden, the court must be satisfied that the citation to evidence in the record supports the assertion. Vt. Teddy Bear, 373 F.2d at 244 (citing Giannullo v. City of N.Y., 322 F.3d 139, 143 n.5 (2d Cir. 2003)).

Defendants are Liable for Trademark Counterfeiting and Infringement

A plaintiff will prevail on its claims of trademark counterfeiting and infringement under 15 U.S.C. § 1114(1)(a) of the Lanham Act if it establishes that (1) it possesses a valid mark entitled to Lanham Act protection, and (2) defendant used a similar mark in commerce in a manner likely to cause confusion among the relevant consuming public. See Lorillard Tobacco Co. v. Jamelis Grocery, Inc., 378 F. Supp. 2d 448, 454 (S.D.N.Y. 2005). The Lanham Act imposes liability upon on a person who sells, offers for

sale, advertises or distributes goods using a counterfeit of a registered trademark, 15 U.S.C. § 1114(1)(a), regardless of "whether or not the person against whom relief is sought knew such mark was so registered," 15 U.S.C. § 1116(d)(B)(i).

Plaintiffs have established their ownership and registration with the United States Patent and Trademark Office of the Plaintiffs' Marks. These registrations are prima facie evidence of the validity of the trademarks Plaintiffs seek to protect, as well as the exclusive rights of Plaintiffs to use the Plaintiffs' Marks in commerce and in connection with the goods or services specified in the registration certificates. See 15 U.S.C. § 1057(b). Other than filing Answers generally denying the allegations in Plaintiffs' Complaint, Defendants have submitted no evidence on this motion that Plaintiffs' trademarks are not valid.

In the course of this action, Plaintiffs have identified nineteen different registered trademarks which Defendants have counterfeited: A. LANGE & SOHNE, BAIGNOIRE, CARTIER, DIVAN, DUNHILL, IWC, JAEGER-LECOULTRE, LANIERES, LUMINOR, MONTBLANC, PANERAI, PANTHERE, PASHA DE CARTIER, PIAGET, SANTOS DE CARTIER, TANKISSIME, TORTUE, VACHERON

CONSTANTIN, and 21 CHRONOSCAPH.

The Plaintiffs have also established that Defendants were importing, distributing, advertising, offering for sale, and selling counterfeit reproductions of Plaintiffs' Marks likely to cause consumer confusion. To determine the likelihood of confusion, courts in this Circuit apply the eight-factor test of Polaroid Corp. v. Polarad Elecs. Corp., 287 F.2d 492, 495-96 (2d Cir. 1961). In cases involving counterfeit marks, however, this Court has found it unnecessary to perform a Polaroid examination because "counterfeit marks are inherently confusing." Lorillard, 378 F. Supp. 2d at 455 (citing Philip Morris USA Inc. v. Felizardo, No. 03 Civ. 5891 (HB), 2004 WL 1375277, at *5 (S.D.N.Y. June 18, 2004); Gucci America, Inc. v. Duty Free Apparel, Ltd., 286 F. Supp. 2d 284, 287 (S.D.N.Y. 2003) (noting that "confusing the customer is the whole purpose of creating counterfeit goods")). As found above, while executing the May 23 Order, Plaintiffs' representatives found watches bearing copies of Plaintiffs' Marks at Defendants' home, as well as documentary evidence of Defendants' operation of a complex, lucrative business selling Counterfeit Products. Defendants have not disputed that these watches were Counterfeit Products or that they

were in the business of selling counterfeit watches. Defendants Aviv and Ilan have admitted to knowingly distributing and selling the Counterfeit Products for themselves and the business entities King Replica, Davids Luxury, Replica Kingdom a/k/a Swiss Kingdom, Branded Luxury d/b/a BS Gifts, Vertexo, Inc., and Avilan Marketing LLC.

David and Chana and Travel Derech Tslecha continue to deny knowledge of the counterfeiting business operating from their home, although they admit that they were actively involved. Their denials, however, are not credible and are not supported by any evidentiary submission. David and Chana admit that they set up accounts to transact the business of the counterfeiting operation and gave approximately \$150,000 to their sons to start the counterfeiting operation. Numerous transfers were made from counterfeiting bank accounts into personal accounts of David and Chana, as well as the account of Travel Derech Tslecha. Given the admission that various Defendant business entities and their financial accounts were opened in David and Chana's names, and that the large counterfeit watch import, distribution, and sales business operated from their home, David's declaration that he did not know what the funds were being used for lacks credibility.

David and Chana were: (1) the owners and residents of the home in which counterfeit operations occurred openly; (2) direct financial beneficiaries of the counterfeiting operations, in part through deposits into their off-shore accounts; and (3) are the parents of admitted counterfeiters Ilan and Aviv. Documents relating to Counterfeit Products and Defendants' Websites, including a document authored by David, were found in David's computer folders, David and Chana jointly owned a bank account with admitted counterfeiting entity Defendant Branded Luxury, withdrawals from bank accounts of admitted counterfeiting entities were deposited into the purported business account of Travel, Branded Luxury is a sole proprietorship of David, and transfers of funds overseas from the Travel account were made at the behest of Ilan and Aviv.

Since a seller bears strict liability for violations of the Lanham Act, even an "innocent" individual who sells goods bearing an infringing mark is liable for trademark infringement -- intent is not required. See Procter & Gamble Co. v. Quality King Distribs., Inc., 123 F. Supp. 2d 108, 112 (E.D.N.Y. 2000) ("[T]he registrant need not prove intent in order to succeed on the issue of liability" under the Lanham Act).

Even if David and Chana and Travel were not directly involved in the sale of the Counterfeit Products, they remain liable for contributory trademark infringement because they chose to be willfully blind to the counterfeiting business operated by two of their sons from the Ben-Menachem home, also the location of the Travel office, which involved David's computer and Defendants' bank accounts.

It is well established that "liability for trademark infringement can extend beyond those who actually mislabel goods with the mark of another." Inwood Lab., Inc. v. Ives Lab., Inc., 456 U.S. 844, 853 (1982); see also, Grant Airmass Corp. v. Gaymar Indus., Inc., 645 F. Supp. 1507, 1511 (S.D.N.Y. 1986) ("[L]iability under the Lanham Act has been construed to extend beyond those who actually misrepresent goods or directly place such goods in commerce"); Carter Int'l B.V. v. Liu, No. 02 Civ. 7926 (TPG), 2003 WL 1900852, at *3 (S.D.N.Y. Apr. 17, 2003) (finding an indirect actor liable for trademark counterfeiting when the party knew or had reason to know it was engaging in trademark infringement). This Court has recognized "that one may be held liable as a contributory infringer, notwithstanding the fact that one does nothing to assist an infringing party." Power Test Petroleum Distribs. v. Manhattan & Queens Fuel

Corp., 556 F. Supp. 392, 395 (S.D.N.Y. 1982) (citation omitted). A contributor who knew or had reason to know of the Lanham Act violations or was "willfully blind" to the violations is liable for trademark infringement. Fonovisa, Inc. v. Cherry Auction, Inc., 76 F.3d 259, 264-65 (9th Cir. 1996).

Even if the denials of David and Chana were to be accepted as plausible, the facts establish that David and Chana and Travel were "willfully blind" to the activities and not only failed to investigate, but also assisted their co-Defendants' sales of the Counterfeit Products. Accordingly, David and Chana and Travel are at the very least liable for contributory trademark infringement.

When, as here, a plaintiff has satisfied all statutory proof requirements and absent a dispute of material facts, that plaintiff is entitled to a grant of summary judgment. See, e.g., Lorillard Tobacco Co., 378 F. Supp. 2d at 456; Felizardo, 2004 WL 1375277, at *5; Fendi S.a.S. Di Paola Fendi E Sorelle v. Cosmetic World, Ltd., 642 F. Supp. 1143, 1145 (S.D.N.Y. 1986). Defendants have not put forth any evidence to dispute the facts material to Plaintiffs' Lanham Act claims, thus creating no justifiable

issues as to liability on these claims. See Felizardo, 2004 WL 1375277, at *3.

Due to the clear weight of the evidence of Defendants' importing, distributing, advertising, offering for sale, and sale of Counterfeit Products, the Plaintiffs' summary judgment motion on their claims of trademark counterfeiting and infringement is granted.

Defendants are Liable for Federal Unfair Competition and State and Common Law Claims

The Lanham Act extends liability to any person who uses in commerce in connection with goods or services any mark or false designation of origin likely to cause confusion or otherwise "deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person." 15 U.S.C. § 1125(a)(1). The stated intent of the Lanham Act is to protect persons engaged in commerce against unfair competition. See 15 U.S.C. § 1127. When a plaintiff presents a successful claim of federal trademark infringement, it is not necessary to present further proof to

succeed on a claim of federal unfair competition. See Russian Kurier, Inc. v. Russian Am. Kurier, Inc., 899 F. Supp. 1204, 1208 (S.D.N.Y. 1995). See also Lorillard, 378 F. Supp. 2d at 454 (citing Arrow Fastener Co., Inc. v. Stanley Works, 59 F.3d 384, 390 (2d Cir.1995)). Because Plaintiffs have presented a successful claim of federal trademark infringement, Defendants are also found liable for federal unfair competition under Section 1125(a).

The same acts that constitute trademark counterfeiting and unfair competition under federal laws give rise to Plaintiffs' claims of common law trademark infringement and unfair competition, as well as unfair competition under New York law. Unfair competition under New York law additionally requires evidence of bad faith. See Felizardo, 2004 WL 1375277, at *6. However, "a presumption of bad faith attaches to the use of a counterfeit mark." Id.; see also Lorillard, 378 F. Supp. 2d at 456. Defendants' sale of the Counterfeit Products serves to establish bad faith under New York law, and therefore summary judgment is appropriate as to these claims. Defendants are also liable for trademark infringement, trade name infringement, and unfair competition under New York state and common law. See Russian Kurier, Inc., 899 F. Supp. at 1208.

Defendants Are Liable for Statutory Damages

Because "counterfeiters' records are frequently non-existent, inadequate or deceptively kept . . ., making proving actual damages in these cases difficult, if not impossible," Lorillard, 378 F. Supp. 2d at 458 (citations omitted), the Lanham Act permits a statutory damage award in lieu of an award of actual damages resulting from the use of counterfeit marks. The Act permits an award "not less than \$500 or more than \$100,000 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). If the court finds that the use of the counterfeit mark was willful, the court may award damages in an amount "not more than \$1,000,000 per counterfeit mark per type of goods sold, offered for sale, or distributed." Id.

Plaintiffs have shown that for a period of approximately four months, a merchant account in the name of Defendant Branded Luxury, opened by David, processed \$124,280 in credit card sales. Since the initiation of the instant action, Plaintiffs have diligently attempted to discover the full extent of Defendants' counterfeiting activities. For

several months, Defendants refused to provide any information, claiming that they had produced all documents in their possession to Plaintiffs' counsel. After Plaintiffs were forced to subpoena voluminous records from financial institutions, it became apparent that the documents provided by Defendants are incomplete and thus there is no way to determine actual damages. Statutory damages are therefore appropriate in this case.

Courts have wide discretion in setting an amount of statutory damages. See Silhouette Int'l Schmied Ag v. Vachik Chakbazian, No. 04 Civ. 3613, 2004 WL 2211660, at *2 (S.D.N.Y. Oct. 4, 2004); see also Philip Morris USA Inc. v. Marlboro Express, No. 03 Civ. 1161, 2005 WL 2076921, at *6 (E.D.N.Y. Aug. 26, 2005). In awarding statutory damages, courts consider a variety of factors, including whether a defendant's conduct was willful, lost revenue and harm to the plaintiff, the value of the plaintiff's marks, the defendant's cooperation in providing information on the value of the infringing material, and the deterrent effect on the defendant and others. Duty Free Apparel, Ltd., 315 F. Supp. 2d 511, 520. Conduct can be found to be willful "whether the defendant had knowledge that his conduct represented infringement or perhaps recklessly disregarded the

possibility." Lorillard, 378 F. Supp. 2d at 457 n.13 (citing Felizardo, 2004 WL 1375277 at *7). A defendant's knowledge can be "actual or constructive." Fitzgerald Publ'g Co., Inc. v. Baylor Publ'g Co., Inc., 807 F.2d 1110, 1115 (2d Cir. 1986). Knowledge, therefore, "need not be proven directly but may be inferred from the defendant's conduct." N.A.S. Import, Corp. v. Chenson Enters., Inc., 968 F.2d 250, 252 (2d Cir. 1992) (citing Fallaci v. New Gazette Literary Corp., 568 F. Supp. 1172, 1173 (S.D.N.Y. 1983)).

Plaintiffs seek enhanced statutory damages in light of the evidence that Defendants' conduct was "willful" under Section 1117(c). However, the Court concludes that standard statutory damages in the amount of \$50,000 for each of Plaintiffs' nineteen Marks counterfeited by Defendants will be sufficient to meet the goals of the statute, including compensating the Plaintiffs and deterring future violations. Cf. Lorillard, 378 F. Supp. 2d at 457 (finding standard statutory damages would provide "sufficient redress and deterrence" despite likelihood that plaintiffs could prove willfulness, and noting the court's "doubts as to whether enhanced damages would be recoverable"; Malletier v.

Whenu.Com, Inc., No. 05 Civ. 1325 (LAK), Slip Op., 2007 WL 257717, at * 6 (S.D.N.Y. Jan. 26, 2007) (awarding a total of \$1,100,000 for infringement of 11 marks and discussing cases awarding less than the per-mark maximum).

Defendants Are Liable for Costs and Attorneys' Fees

Having prevailed on its claims for willful infringement and unfair competition, Plaintiffs are entitled to an award of costs and reasonable attorney's fees. 15 U.S.C. § 1117(a); see also Silhouette, 2004 WL 221660, at *3 (citing Rolex Watch U.S.A., Inc. v. Brown, No. 01 Civ. 9155 (AJP), 2002 WL 1226863, at *3 (S.D.N.Y. June 5, 2002)).

Defendants Are Permanently Enjoined

Section 34(a) of the Lanham Act provides courts with the power to grant injunctive relief to prevent the violation of a trademark owner's rights. 15 U.S.C. § 1116(a); see Lorillard, 378 F. Supp. 2d at 459. Plaintiffs have shown that they are entitled to a permanent injunction based on: (1) actual success on the merits, and (2) irreparable harm. Id. Plaintiffs have established that Defendants have violated the Lanham Act by engaging in the

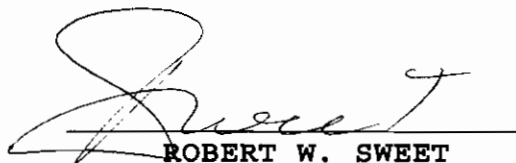
counterfeiting activities described in the Complaint and, therefore, the Plaintiffs are granted entry of a permanent injunction.

Conclusion

Summary judgment against Defendants is granted for importing, distributing, advertising, selling, and offering for sale the Counterfeit Products, and permanently enjoining Defendants' counterfeiting and infringing activities as set forth in the Complaint, and awarding Plaintiffs statutory damages against Defendants in the amount of \$950,000, as well as costs and attorneys' fees. Plaintiffs will submit judgment on notice, as well as a supporting affidavit with respect to attorneys' fees.

It is so ordered.

New York, N.Y.
December 19, 2007


ROBERT W. SWEET
U.S.D.J.