UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

GUCCI AMERICA, INC., Plaintiff, v. FRONTLINE PROCESSING CORPORATION; WOODFOREST NATIONAL BANK; DURANGO MERCHANT SERVICES, LLC d/b/a NATIONAL BANKCARD SYSTEMS OF DURANGO, ABC COMPANIES; and JOHN DOES, Defendants.	09 Civ. 6925 (HB)

PLAINTIFF GUCCI AMERICA, INC.'S RESPONSES AND OBJECTIONS TO DEFENDANTS' LOCAL RULE 56.1 STATEMENT OF MATERIAL FACTS REGARDING MOTION FOR SUMMARY JUDGMENT ON STATUTORY DAMAGES CLAIM

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New York, New York
July 21, 2010

INTRODUCTION

Plaintiff Gucci America, Inc. ("Gucci" or "Plaintiff"), by its undersigned counsel, hereby responds to the Local Rule 56.1 Statement filed on July 8, 2010 by Defendants Woodforest National Bank ("Woodforest"), and Durango Merchant Services, LLC ("Durango") (collectively, the "Defendants"), in support of their motion for summary judgment (the "Statement"). Gucci respectfully submits that Defendants' motion should be denied for the reasons set forth in greater detail in the accompanying Memorandum of Law in Opposition To Defendants' Motion For Summary Judgment.

GENERAL RESPONSES AND OBJECTIONS

Gucci objects to the Statement to the extent that Defendants' statements do not comply with Local Rule 56.1(d) which requires that every statement must be supported by "citation to evidence which would be admissible, set forth as required by Federal Rule of Civil procedure 56(e)."

Gucci further objects to the Statement to the extent that Defendants' statements are not objective statements of material facts, but rather argumentative statements that ignore important elements of the record in this case.

Gucci further objects to the Statement to the extent that Defendants' statements are improper assertions of law or mixed assertions of law and fact that are inappropriate for a Rule 56.1 statement.

Gucci further states that its admission of any of Defendants statements should not be deemed as an acknowledgment that any such fact is material, relevant, or admissible at trial, or that there are not additional facts that are needed to place such statement in its proper context. In addition to the evidence cited by Gucci herein, Gucci also refers to and incorporates by reference

all the additional evidence cited in the statement of material undisputed facts that Gucci is filing in connection with its own motion for summary judgment in the above-captioned action.

SPECIFIC RESPONSES AND COUNTERSTATEMENTS

1. Plaintiff Gucci America, Inc. ("Gucci") has asserted claims against defendants Woodforest, Durango, and Frontline Processing Corporation ("Frontline") for direct trademark infringement, vicarious liability, and contributory trademark infringement. (Compl. (Dkt.1).)

Response:

Gucci states that the facts as asserted in Paragraph 1 are incomplete in that Gucci has also asserted claims against defendants Woodforest, Durango, and Frontline for trademark counterfeiting under federal law, trademark infringement under New York law, and unfair competition under New York law. Compl. (Dkt. No.1).

2. Among the damages remedies sought, Gucci has requested statutory damages under 15 U.S.C. § 1117(c). (*Id.* at 36.)

Response:

Admitted.

3. In discovery, Gucci calculated its statutory damages under § 1117(c) to total the sum of $176 million. (Kennedy Decl. Exh. 1, Gucci Ans. to Interrog. No. 1.)

Response:

Gucci states that the calculation of its statutory damages set forth in its Answer to Interrogatory No. 1 speaks for itself, and that the calculation set forth in Gucci's Answer to Interrogatory No. 1 does not list the figure $176 million. Gucci's Answer to Interrogatory No. 1, moreover, provides that it is "[s]ubject to its continuing and ongoing investigation," and that "Plaintiff will be able to provide a more accurate computation of damages at the completion of

discovery concerning the extent of Defendants' infringement, including any additional counterfeiters whose sales [Defendants] knowingly facilitated. Expert discovery in this case is not yet complete, and Gucci has repeatedly notified Defendants that its forthcoming expert report will provide additional evidence and analysis relevant to the calculation of damages.

4. In its Opinion & Order of June 23, 2010, the Court dismissed Gucci's claims for direct trademark infringement on the ground that the defendants, unlike the Laurette Company, had not used infringing or counterfeit marks in commerce:

> Direct liability for trademark infringement requires a valid mark entitled to protection under the Lanham Act, and that the defendant used the mark in commerce in connection with the sale or advertising of goods or services, without the plaintiff's consent. *1-800 Contacts, Inc. v. WhenU.Com, Inc.*, 414 F.3d 400, 406-07 (2d Cir. 2005) (internal quotations and citations omitted). In addition, Plaintiff must show that the Defendant's use of the mark is likely to cause confusion. *Id.* The problem for Gucci is that there is no indication that any of the defendants actually "used that mark in commerce." Knowledge alone of another party's sale of counterfeit or infringing items is insufficient to support direct liability, see eBay, 600 F.3d at 03, and there are otherwise no factual allegations that Durango, Woodforest, or Frontline themselves advertised or sold infringing goods. (Dkt.42, at 15 (emphasis added).)

Response:

Gucci states that the Court's June 23, 2010 Opinion & Order speaks for itself, and that as a result, no response is required as to the contents of the Court's Opinion & Order. Gucci further states that the assertion that "defendants, unlike the Laurette Company, had not used infringing or counterfeit marks in commerce" is a conclusion of law, and in response notes that "all persons who. . . actively take part in [the tort of trademark infringement], or further it by cooperation or request, or lend aid or encouragement, or ratify and adopt the acts done, are as equally liable as the person who performs the tortious act itself." *See* 4 McCarthy on Trademarks and Unfair Competition § 25:23 (4th ed. 2010). Gucci further states that Defendants' reliance on *1-800 Contacts, Inc. v. WhenU.Com, Inc.*, 414 F.3d 400, 406-07 (2d Cir. 2005) is improper in light of

the Second Circuit's subsequent discussion trademark use in *Rescuecom Corp. v. Google Inc.*, 562 F.3d 123 (2d Cir. 2009).

5. The Court also dismissed Gucci's claims for vicarious liability against the defendants. (*Id.* at 15-16.)

Response:

Gucci states that the Court's June 23, 2010 Opinion & Order speaks for itself, and that as a result, no response is required.

6. The Court held that Gucci's only plausible theory of liability against any of the defendants was its claim for contributory trademark infringement. As to defendant Durango, the Court dismissed all claims except for the claim that Durango had intentionally induced trademark infringement. (*Id.* at 17-18.) As to the defendant Woodforest, the Court dismissed all claims except for the claim of contributory infringement that Woodforest "supplied services with knowledge or by willfully shutting its eyes to the infringing conduct, while it had sufficient control over the instrumentality used to infringe." (*Id.* at 18.)

Response:

Gucci states that the Court's June 23, 2010 Opinion & Order speaks for itself, and that as a result, no response is required as to the contents of the Court's Opinion & Order. Gucci further states that the Court's Opinion & Order did not dismiss Gucci's counterfeiting or state law claims, and specifically held that "[a]lthough Plaintiff has not sufficiently pled facts to support either direct or vicarious theories of liability, claims against all three defendants may proceed based on a contributory liability theory." Opinion & Order at 24. *See also id.* at 15 n.6 (for liability purposes, "Federal law and state common law infringement claims are analyzed identically"). Therefore, if Gucci prevails on establishing Defendants liability for contributory trademark infringement, it is also entitled to pursue its claim for punitive damages under New York State law. *See* Complaint (Dkt. No. 1) at 36 ¶ 5 (seeking "punitive damages pursuant to

New York State common law (as preserved by N. Y. Gen. Bus. Law § 360-0) on account of Defendants' gross, wanton, willful, and malicious conduct in an amount sufficient to deter other and future similar conduct by Defendants and others").

Dated: New York, New York
July 21, 2010

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