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The opposition papers submitted by Defendants Woodforest and Durango demonstrate precisely why Gucci is entitled to summary judgment as to Defendants' liability. Specifically, Defendants *do not dispute* the material facts that establish the elements of Gucci's claims based on contributory trademark counterfeiting:

- Defendants admit that they were providing services to websites they knew were selling replica products—that is, products that they admit were not genuine Gucci products. *See infra*, Section II.
- Defendants cannot dispute that the websites they funded openly displayed unauthorized versions of Gucci products bearing registered Gucci design trademarks, such as Gucci's registered interlocking "GG" logo. *See infra*, Section II. Woodforest's assertion that only lower level employees saw the Gucci marks simply is not a defense.
- Woodforest does not dispute that it investigated each of the Internet merchants at issue, could have shut off their processing at any time, and even had the ability to request that these business make changes to comply with their policies. This more than fulfills the requirement of control over the infringing conduct. *See infra*, Section III.
- Similarly, Durango admits that it advertised for replica merchants on its website, and admits that its employee told Durango's clients that he would assist them in partnering with the few credit card processors that he knew would accept "replica" business, and admits that he provided advice to make it more likely that these sales of counterfeits would be successful. *See infra*, Section IV.

At most, Defendants dispute some of the implications of these facts, or argue that the testimony of the replica merchants cannot be trusted. But it is black-letter-law that a "properly supported summary judgment motion" cannot be defeated "merely by making assertions that are conclusory . . . or based on speculation." *Major League Baseball Props., Inc. v. Salvino, Inc.*, 542 F.3d 290, 310 (2d Cir. 2008). Here, Defendants offer nothing but argument to avoid the inescapable result of the underlying undisputed facts. As a result, this is precisely the type of case that merits entry of summary judgment. *See, e.g., L&L Wings, Inc. v. Marco-Destin, Inc.*, 676 F. Supp. 2d 179, 191 (S.D.N.Y. 2009) (granting summary judgment that defendant service providers were "contributorially responsible for the trademark infringement at issue").

Further, the imaging of Durango’s hard drives confirms that neither Gucci nor the Court will ever be able to determine what other relevant communications with counterfeiters may have existed but for Durango’s intentional wiping of its hard drives. *See infra*, Section V. The forensic analysis, moreover, shows that Durango made misrepresentations to the Court concerning the use of the file shredding program, deleted records of which files were targeted, and ran the program after Plaintiff raised the spoliation issue with the Court.

I. DEFENDANTS’ CLIENTS ARE GUILTY OF TRADEMARK COUNTERFEITING.

Defendants’ offer no evidence to dispute the underlying direct trademark counterfeiting that gives rise to liability in this case. Indeed, Durango offers *no* response to Gucci’s argument that the underlying direct infringement is admitted. *Compare* Gucci Br. (Dkt. No. 70) at 14-18 *with* Durango Br. (Dkt No. 79), *passim*. Woodforest, in its opposition brief, disputes only the “extent of the underlying liability,” rather than the liability itself. *See* Woodforest Brief (Dkt. No. 72) (“WNB Br.”) at 16.¹ Although Woodforest offers speculation that “these Web sites [did not] actually [sell] counterfeit Gucci products,” *id.* at 17, it proffers no evidence to dispute the demonstrative proof that the items being sold were, in fact counterfeit. *See* Coyle Decl. (Dkt. No. 69), Ex. 2; *id.* Ex 3 (Kirk Tr. 20:13-23:12, 59:25-60:12). Where, as here, a defendant “has not offered [] evidence that any of the goods in question were purchased from an authorized [vendor], or any other affirmative evidence that the bags were genuine,” the trademark owner is

¹ Woodforest admits that the “Laurette Company sold approximately \$2 million worth of replica goods during the time that it utilized the credit card processing services of the Defendants”; that this Court entered a “Final Order and Judgment” against the Laurette Company in Gucci’s trademark infringement action; and that the site sold “replica” versions of Gucci products manufactured by “Suijian Liao Wholesale Bags Company of Guangzhou City, China” rather than Gucci. *Compare* Gucci 56.1 Statement (Dkt. No. 68) (“Gucci 56.1”) *with* Woodforest Response (Dkt. No. 78) (“WNB 56.1”) ¶¶ 5, 8-9, 44-45; *see also* Durango Response (Dkt. No. 82) (“Durango 56.1”) ¶¶ 5, 8-9, 44-45 (same).

entitled to summary judgment that the goods are counterfeit. *Fendi Adele S.R.L. v. Burlington Coat Factory Warehouse Corp.*, 689 F. Supp. 2d 585, 597 (S.D.N.Y. 2010); *see also Gucci Am., Inc. v. Duty Free Apparel, Ltd.*, 286 F. Supp. 2d 284, 289 (S.D.N.Y. 2003) (summary judgment granted where there was no “affirmative evidence” that the items were “actually authentic”).²

Woodforest also argues that summary judgment is inappropriate because Gucci “has submitted no evidence that purchasers” of these counterfeit goods “thought that they were obtaining genuine Gucci products, as opposed to mere replica products.” WNB Br. at 17. But the use of Gucci’s marks on counterfeit products is likely to cause consumer confusion as a matter of law. *See Coach Leatherware Co., Inc. v. AnnTaylor, Inc.*, 933 F.2d 162, 170 (2d Cir. 1991) (affirming *sua sponte* grant of summary judgment to trademark owner where similar tags “affixed to almost identical products marketed toward the same consumer group establishes likelihood of confusion”); *Cartier Int’l B.V. v. Ben-Menachem*, No. 06 Civ. 3917, 2008 WL 64005, at *11 (S.D.N.Y. Jan. 3, 2008) (noting that “counterfeit marks are inherently confusing”) (quotations omitted); *Fendi Adele*, 689 F. Supp. 2d at 596-97 (same).³

Woodforest speculates that the presence of a “replica disclaimer” on websites of its counterfeit merchant clients may have somehow dispelled all actionable confusion. *See* WNB Br. at 5-7, 17. A disclaimer does not allow a counterfeiter to copy Gucci’s trademarks with immunity. *See Hermés Int’l v. Lederer de Paris Fifth Ave., Inc.*, 219 F.3d 104, 108-09 (2d Cir.

² Woodforest, moreover, entirely fails to address the undisputed fact that *another* of its replica merchants, Richard Lee, was *also* found to have infringed the Gucci Marks by selling counterfeit products through the websites LeeLuxuryBags.com and LeeLuxuryLines.com. *See* Coyle Decl. Ex 73 (Lee Judgment); *id.* Exs. 29, 33, 34 (records of these websites).

³ *See also Chloé v. DesignersImports.com USA Inc.*, No. 07 Civ. 1791, 2009 WL 1227927, at *6 (S.D.N.Y. April 30, 2009) (same). Indeed, where, as here, counterfeit goods are produced “in an apparent attempt to capitalize upon the popularity of, and demand for, another’s product,” likelihood of confusion is presumed. *Gucci Am., Inc. v. Tyrrell-Miller*, 678 F. Supp. 2d 117, 120 (S.D.N.Y. 2008) (citation omitted).

2000) (even where there is “no evidence of point-of-sale confusion,” sales of counterfeits are still infringing because they are likely to cause “post-sale confusion”); *Rolex Watch U.S.A., Inc. v. Jones*, No. 99 Civ. 2359, 2000 WL 1528263, at *3, n.1 (S.D.N.Y. Oct. 13, 2000) (“Likelihood of confusion does not focus solely on the party purchasing a product from the defendant.”). As the Second Circuit has held, the likelihood of confusion question therefore “is a legal issue which [i]s appropriate for the district court to resolve on summary judgment” in cases such as this, where “the record shows the distinct likelihood of post-sale confusion.” *Lois Sportswear, U.S.A., Inc. v. Levi Strauss & Co.*, 799 F.2d 867, 876-77 (2d Cir. 1986).

II. DEFENDANTS ADMIT TO KNOWING FACTS SUFFICIENT TO ESTABLISH INFRINGEMENT OR, AT LEAST, WILLFUL BLINDNESS.

Defendants’ own admissions amply demonstrate that they either had active or constructive notice that their clients were engaged in this unlawful counterfeiting. In particular:

- Woodforest admits that it knowingly provided credit card processing for the sale of replica products through the BagAddiction website. *E.g.*, WNB Br. at 3; WNB 56.1 ¶¶ 44, 49; WNB Ans. ¶ 46.
- Defendants do not dispute that the BagAddiction website disclosed that “[a]ll products sold are exact mirrors and are not being sold or represented as originals” and that “[t]he Gucci name is used on the Web site . . . to indicate that the handbags are replicas of Gucci bags.” WNB 56.1 ¶¶ 45-46; Durango 56.1 ¶¶ 45-46.
- Durango admits that it “advertised itself on its website” as helping merchants who sell “Replica Products.” Durango 56.1 ¶ 25.
- Durango’s employee reviewed the BagAddiction website to confirm that it possessed elements required by the processing bank. *Id.* ¶ 29.
- Laurette affirmatively disclosed to Durango that it was selling replicas and referred other replica businesses to Durango. *Id.* ¶¶ 32, 38-39.
- Durango affirmatively searched for banks that were willing to process “replica merchants” for the websites in question. *Id.* ¶¶ 31, 33.

Accordingly, Defendants cannot dispute that they had actual knowledge that they were assisting others to use the Gucci marks to sell “exact mirrors” of Gucci products, not made by Gucci. As

a result, this is not a case like *Tiffany (NJ) Inc. v. eBay, Inc.*, 600 F.3d 93 (2d Cir. 2010), where there was a reasonable question as to whether individual products were real or counterfeit. In this case, Defendants knew that **all** the relevant products sold by their clients were replicas, i.e. fake, and Defendants could plainly see the Gucci marks on the pictures posted on the websites.

Defendants attempt to escape the clear implication of these facts because their counterfeiting client, the Laurette company, “advertise[d] its products to be ‘replicas,’ not counterfeits.” WNB Br. at 5; *see also* Durango Br. at 14. Courts, however, routinely find defendants liable where they know the facts that constitute infringement, whether or not they know that what they are doing is unlawful. *See, e.g., Sunward Elecs., Inc. v. McDonald*, 362 F.3d 17, 25 (2d Cir. 2004) (“While Defendants argue that they ‘never acted in anything but an entirely lawful manner. . . [i]t is well established that wrongful intent is not a prerequisite to an action for trademark infringement.”); *Ben-Menachem*, 2008 WL 64005, at *11 (summary judgment granted despite defendants’ denial of “knowledge of the counterfeiting business,” where “they admit[ted] that they were actively involved” in the relevant conduct).⁴

If Defendants’ argument were to succeed, no one would be liable for contributory counterfeiting as long as the direct infringer avoided using the word “counterfeit.” But the law is to the contrary. As this Court already noted, there is no meaningful distinction between “counterfeit” and “replica” given that “replica is in fact often used in conjunction, or interchangeably, with the term ‘counterfeit’ in case law on trademark infringement. June 23 Order at 17 n.7 (citing cases); *see also Rolex Watch U.S.A., Inc. v. Brown*, No. 01 Civ. 9155,

⁴ *See also Lois Sportswear*, 799 F.2d at 875 (affirming summary judgment where defendant “happened on the [plaintiff’s trademark] stitching pattern serendipitously” because “intent is largely irrelevant”); *Martal Cosmetics, Ltd. v. Int’l Beauty Exch. Inc.*, No. 01 Civ. 7595, 2007 WL 895697, at *23 (E.D.N.Y. March 22, 2007) (granting summary judgment because intent “is ‘irrelevant’ to the disposition of a Lanham Act claim”).

2002 WL 1226863, at *2 (S.D.N.Y. June 5, 2002) (“Defendant Brown was selling the ‘replica,’ i.e., counterfeit, Rolex watches”). Indeed, the very definition proffered by Durango purportedly to show a difference between “counterfeit” and “replica” itself defines “counterfeit” as “an imitation or *replica*” Durango Br. at 16 (emphasis added).

The undisputed record, moreover, shows that Gucci’s trademark interlocking GG design was visible on TheBagAddiction.com, including on pages printed by Woodforest’s agent during the course of the pre-approval review of the website. WNB 56.1 ¶ 46; WNB Br. 6-7; Durango 56.1 ¶ 46; *see also* Kennedy Decl. (Dkt. No. 73), Ex. I (Novak Tr. 52:2-7) (noting that the GG design was visible). Woodforest seeks to dismiss this critical fact on the basis that there is no evidence that Woodforest knew the mark was registered. This is not a defense. Indeed, the Lanham Act defines “counterfeit” as “a counterfeit of a mark that is registered on the principal register in the United States Patent and Trademark Office for such goods or services sold, offered for sale, or distributed and that is in use, *whether or not the person against whom relief is sought knew such mark was so registered*” 15 U.S.C. § 1116(d) (emphasis added).⁵

Accordingly, the undisputed facts show Defendants’ knowledge of counterfeiting.⁶

Even assuming, *arguendo*, that under some circumstances a replica product is “not necessarily” a counterfeit, the undisputed facts of this case show that Woodforest was at a

⁵ *See also* 15 U.S.C. § 1072: (“Registration of a mark on the principal register . . . shall be constructive notice of the registrant’s claim of ownership therefore.”); *H.S.W. Enters., Inc. v. Woo Lae Oak, Inc.*, 171 F. Supp. 2d 135, 143 (S.D.N.Y. 2001) (for purposes of summary judgment, “defendants had constructive notice of the trademarks” under 15 U.S.C. § 1072).

⁶ Woodforest argues that even Gucci “needs to see the merchandise shown on a Web site to determine whether it is genuine or fake.” WNB Br. at 7. But Woodforest takes Mr. Risi’s testimony entirely out of context. Of course, if the goods are advertised as authentic, an inspection is necessary to determine whether they were produced by Gucci. Mr. Risi also testified, however, that when a website states that it is selling replica products or has a 90 per cent lower retail price than the Gucci list price, “the situation is different.” Coyle Supplemental Declaration dated Aug. 3, 2010, Ex. 76 (Risi Tr. 130:19-24).

minimum willfully blind to the possibility that “replicas” could be counterfeits. Woodforest’s own policies prohibited it from doing business with merchants who sell counterfeit products, and Woodforest claims it would never have approved an application for a website believed to be offering counterfeits. WNB Br. at 3-4. But Woodforest does not dispute that Gucci’s interlocking GG trademark is clearly visible on the web pages in Woodforest’s own files. Instead, Woodforest’s “defense” is that the analysts who review merchant websites “are not trained about trademark infringement issues and are not capable of making judgments as to whether products shown on a Web site are counterfeit products, as opposed to replicas.” WNB Br. at 4. Not training its employees, however, is not a defense. Although Woodforest admittedly used a “G2” program that could have searched out sites selling counterfeit goods, it did not use the program to identify counterfeits until 2009. Coyle Decl., Ex. 8 (Lemos Tr. 49:22-52:3); *id.* Ex. 22 (WNB-09043). When Woodforest finally added counterfeit goods to G2, the program identified numerous websites potentially selling counterfeit goods. *Id.* Ex. 24 (WNB-02313). Based on these uncontested facts, it is harder to imagine a clearer case of willful blindness. *See, e.g., Fendi Adele*, 689 F. Supp. 2d at 600 (finding trademark counterfeiting to be willful where the defendant “failed to follow its own procedures for preventing the purchase and sale of counterfeits” and displayed a “complete indifference” to whether it was doing business with counterfeiters).

Finally, Woodforest argues that its knowledge of the counterfeiting at issue should not count because Gucci did not “raise an issue for one and one-half years.” WNB Br. at 8-9, 20-21.

Again, this excuse is unavailing:

- *First*, where, as here, defendant admittedly “did nothing else to investigate” whether it was involved in the sale of counterfeits, courts routinely find willful blindness even in the absence of a formal cease and desist letter from plaintiff. *Fendi Adele*, 689 F. Supp. 2d at 600-01.

- *Second*, as matter of law, trademark owners like Gucci need only fight one battle at a time, and mere delay is no defense where defendants could easily have foregone their infringing conduct. *See, e.g., Cuban Cigar Brands N.V. v. Upmann Int'l, Inc.*, 457 F. Supp. 1090, 1097-99 (S.D.N.Y. 1978) (Weinfeld, J.), *aff'd*, 607 F.2d 995 (2d Cir. 1979). Here, there is no dispute that Gucci was engaged in litigation with other counterfeiters during this period, and the Court is free to take judicial notice of these other lawsuits. *See, e.g., Gucci Am., Inc., et al. v. MyReplicaHandBag.com, et al.*, No. 07 Civ. 2438 (S.D.N.Y. filed March 26, 2007); *Gucci Am., Inc., et al. v. HGL Enterprises, et al.*, No. 07 Civ. 5569 (S.D.N.Y. filed June 11, 2007); *Gucci Am., Inc., et al. v. Laurette Co., Inc., et al.*, No. 08 Civ. 5065 (S.D.N.Y. filed June 3, 2008).
- *Third*, even after Gucci's investigator found the Laurette website and made purchases of infringing items, he had no way of knowing who was performing the credit card processing services for Laurette. *See* Coyle Decl. Ex. 2 (Falsone Decl. ¶¶ 96-98).

Defendants claim that they would have stopped infringing Gucci's marks sooner if only Gucci had caught them sooner simply does not work as a defense.

III. WOODFOREST DOES NOT DISPUTE THE FUNDAMENTAL FACTS THAT ESTABLISH CONTROL OF ITS REPLICIA MERCHANTS.

The uncontested facts also support the conclusion that Woodforest had direct control and monitoring of the instrumentality used by its clients to infringe Gucci's marks. Importantly:

- Woodforest does not deny that it reviewed its merchants' websites for restricted content and monitored its merchants' websites both before and after an application was approved for processing. WNB 56.1 ¶¶ 53, 55, 58, 66; WNB Br. at 10.
- Nor does Woodforest deny that it could, and did, ask merchants to remove prohibited content from their websites or risk having Woodforest "switch off" their credit card processing ability. WNB 56.1 ¶¶ 65, 67.
- Woodforest admits that it "had control over whether a merchant could process transactions through Delta Card." *Id.* ¶ 67.
- Woodforest also states that "Woodforest, through Delta Card, took affirmative steps, both during the application process and afterward, to ensure that its merchants were not selling illegal products or services." WNB Br. at 10.
- Woodforest does not dispute that it and Frontline were the only two domestic processors that accepted replica accounts. WNB 56.1 ¶ 41.
- Finally, Woodforest admits that it provided credit card processing services to Laurette knowing it was selling replica products. WNB Ans. ¶¶ 46, 51, 71; WNB 56.1 ¶¶ 44, 49.

These facts amount to control and monitoring as a matter of law. *See* June 23 Order (Dkt. No. 42) at 22-23 (finding that Gucci sufficiently alleged contributory infringement by showing that Woodforest “could have simply refused to do business with ‘replica’ internet merchants” but instead “‘furnish[ed] the means of consummating’ the trademark infringement”) (citing *Tiffany (NJ) Inc.*, 600 F.3d at 104).⁷

Woodforest attempts to escape the clear implication of these admissions by arguing that credit card processing services are not “necessary for online sales.” WNB Br. at 22. But again, the factual record is to the contrary. As Durango’s website boasts, “[c]redit card processing analysts estimate 9 out of 10 people use a credit card for their online orders.” Coyle Decl. Ex. 12; Gucci 56.1 ¶ 26. It is clear, moreover, from Jennifer Kirk’s testimony that credit card orders accounted for 99% of the transactions at issue, and that her business was forced to shut down when its credit card processing services were cut off. Gucci 56.1 ¶¶ 14-16; Coyle Decl. Ex. 5. Credit cards were the only payment option that provided security and reliability for both the merchant and customer. Coyle Decl. Ex. 3 (Kirk Tr. 32:2-36:21).⁸

⁷ Woodforest implies that it should not be held accountable for the acts of its agent and corporate affiliate, Delta Card Services. *See* WNB 56.1 ¶¶ 18, 50, 52-56. But it does not dispute that Delta Card services provides credit card processing services “pursuant to a contract with Woodforest,” *id.* ¶ 18; that Woodforest is responsible for approving changes to Delta Card’s underwriting policies, *id.* ¶ 22, and that Woodforest and Delta effectively share both officers and office space, *id.* ¶¶ 19-21. Indeed, Woodforest affirmatively argues that it took relevant actions “through Delta Card.” *Id.* ¶ 67; WNB Br. at 10. As a matter of law, this makes Woodforest responsible for Delta’s conduct. *See Grant Thornton LLP v. Prospect High Income Fund*, No. 06 Civ. 0975, 2010 WL 2636124, at *9 (Sup. Ct. Tex. July 2, 2010) (“[W]hen a principal has consummated a transaction in whole or in part through an agent, it is contrary to equity and good conscience that he should be permitted to avail himself of the benefits of his agent’s participation without becoming responsible as well for his agent’s knowledge as for his agent’s act.”) (quotations omitted); *Martal Cosmetics*, 2007 WL 895697, at * 22 (“each of the many corporate guises in which [defendants] have clothed themselves bears responsibility for trafficking in counterfeit . . . products”); *L&L Wings*, 676 F. Supp. 2d at 191 (defendants that “operated as completely independent entities” may be held jointly liable on summary judgment where they shared officers and ownership and were all parties to relevant agreements).

⁸ Although Woodforest offers speculation that this testimony is somehow unreliable, it offers no proof to dispute these statements. *See* WNB 56.1 ¶¶ 14-16, 26. In fact, Ms. Kirk testified that she understood the oath she took,

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Further, the fact that there was another processor available for replica merchants does nothing to absolve Woodforest of liability for knowingly providing its credit card processing services to counterfeiters. Woodforest cites no law for the proposition that a defendant cannot be held contributorily liable for trademark infringement unless it was the sole and exclusive provider of the services rendered to the direct infringer. To the contrary, courts addressing contributory liability have never held that there must be only one “flea market” available in order for contributory liability to attach. *See Fonovisa, Inc. v. Cherry Auction, Inc.*, 76 F.3d 259, 265 (9th Cir. 1996). Similarly, courts in this circuit have held landlords liable for contributory trademark infringement even though there are certainly alternative properties for an infringer to rent. *See, e.g., Laugh Factory, Inc. v. Basciano*, 608 F. Supp. 2d 549, 563-64 (S.D.N.Y. 2009) (doctrine of contributory liability “may extend to landlords who rent or lease premises to a tenant who infringes another’s trademark”); *Polo Ralph Lauren Corp. v. Chinatown Gift Shop*, 855 F. Supp. 648, 650 (S.D.N.Y. 1994) (stating claim against owner of building used to sell infringing goods). More recently, in *eBay*, the district court found that eBay, as a service provider, “retain[ed] significant control over the transactions conducted” even though the court made no finding that eBay was the only online auction site. *Tiffany (NJ) Inc. v. eBay, Inc.*, 576 F. Supp. 2d 463, 506 (S.D.N.Y. 2008), *aff’d* in part, *rev’d* in part, 600 F.3d 93 (2d Cir. 2010). Any rule to the contrary, requiring a contributing infringer to be the sole source of the services at issue,

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and that her agreement to cooperate with Gucci would not compel her to provide any false testimony. *See* Coyle Ex. 3 (Kirk Tr. 97:2-7; 114:10-21). Under these circumstances, Woodforest’s speculation as to Ms. Kirk’s credibility is insufficient to defeat Gucci’s motion for summary judgment as a matter of law. *See McCullough v. Wyandanch Union Free Sch. Dist.*, 187 F.3d 272, 280 (2d Cir. 1999) (a party “cannot defeat summary judgment . . . merely by impugning [a witness’s] honesty . . . [or] by promising in its appellate brief that at trial he will demonstrate how the [witness’s testimony] is false”).

would allow a service provider to turn a blind eye to its merchants' infringing activity so long as the counterfeiter could seek similar services elsewhere.

Woodforest's other excuses fare even worse. It argues, for example, that "is not involved in or part of the sales transaction," WNB Br. at 23, but it attempts to manufacture an issue here by denying *its own description of the process from its own motion to dismiss*. See Gucci 56.1 ¶ 12 (citing Dkt. No. 18 at 5 n.1); WNB 56.1 ¶ 12. Woodforest cannot run from its admissions that it "provided credit card processing services to The BagAddiction.com Web site with full knowledge that the site sold 'replica products.'" WNB Ans. ¶ 46; WNB 56.1 ¶¶ 44, 48-49, 58. Similarly, Woodforest argues that it "had [no] obligation to monitor the Laurette website," but does not dispute that it and its agent did, in fact, monitor the website. WNB 56.1 ¶¶ 53, 55, 58, 66; WNB Br. at 11. Under these circumstances, it is appropriate to find that Woodforest had direct control and monitoring of the instrumentality used to infringe Gucci's marks.⁹

IV. DURANGO FAILS TO RAISE A TRIABLE ISSUE OF FACT AS TO ITS INDUCEMENT OF THE SALE OF COUNTERFEITS.

In its June 23 Order, this Court held that Gucci's allegations that Durango advertised itself as specializing in hard to acquire merchants, including merchants of replica products "can fairly be construed as Durango's attempt to induce less savory businesses, like those who sell counterfeit 'replicas' of luxury goods" and that Durango "crafted 'advertisement[s] or solicitations[s] that broadcast[] a message designed to stimulate others to commit violations.'" Dkt. No. 42 at 17. Plaintiff has provided evidence proving all of these allegations, and more

⁹ Woodforest also argues that it should somehow be insulated from trademark liability because it "had no financial incentive" to involve itself in sales of unlawful goods. WNB Br. at 25. But Woodforest's alleged "good faith" is irrelevant to whether or not it is liable. See *Sunward Elecs.*, 362 F.3d at 25 ("good faith is no defense"); *Chloé*, 2009 WL 1227927, at *5 (same). Indeed, the "plain language of the relevant statutes does not require that the plaintiff prove that a defendant committed the infringement in any particular amount, or with any amount of regularity." *Duty Free Apparel*, 286 F.Supp.2d at 290 (quotations omitted).

importantly, Durango has not properly disputed this evidence. Critically, Durango fails to rebut *any* facts recited in Plaintiffs 56.1 Statement by citation to admissible evidence. *Compare* Gucci 56.1 *with* Durango 56.1.¹⁰ Accordingly, these facts are deemed admitted.¹¹

And even if the Court were to limit itself to the allegations that Durango affirmatively admits, the following facts establish its intentional inducement of Laurette’s infringement:

- Durango advertised itself as a broker servicing “High Risk Merchant Accounts” including merchants who sell “Replica Products,” Durango 56.1 ¶ 25;
- Durango acts as an agent “to locate potential customers, including ‘High Risk’ Internet merchants like the Laurette Counterfeiters who will use the services of the Defendant credit card processing agencies,” *id.* ¶ 27; Durango Ans. ¶ 49;
- Durango’s employee, Counley, advised Jennifer Kirk that he had “an offshore bank that is willing to accept . . . replica merchants,” Durango 56.1 ¶ 31;
- Jennifer Kirk informed Counley that TheBagAddiction.com “had to close because we were selling replicas” and Counley subsequently emailed Kirk that “I just found out that our US bank can do replica accounts now,” *id.* ¶ 32-33;
- Durango submitted the Laurette application to Frontline and Woodforest because they were the only two domestic banks who provided credit card processing services to replica merchants, *id.* ¶¶ 34, 36, 37, 41;
- Durango advised Kirk to include a check box on TheBagAddiction.com to indicate that the customer understands “that these items being purchased are replicas, not originals,” *id.* ¶ 38;
- Durango earned a profit on each sale of replica products, *id.* ¶ 72; and
- Durango submitted additional replica merchants applications to Woodforest, *id.* ¶ 70.

¹⁰ Out of 79 paragraphs in Gucci’s 56.1 Statement, Durango responds to only two with a citation to evidence – both of which concede Gucci’s facts. *See* Durango 56.1 ¶¶ 43, 72.

¹¹ *See* Local Rule 56.1; *Ezagui v. City of N.Y.*, No. 09 Civ. 5628, 2010 WL 2593650, at *1, n.2 (S.D.N.Y. June 24, 2010) (“If the opposing party... fails to controvert a fact so set forth in the moving party’s Rule 56.1 statement, that fact will be deemed admitted.”) (quoting *Giannullo v. City of N.Y.*, 322 F.3d 139, 140 (2d Cir. 2003) *Giannullo v. City of N.Y.*, 322 F.3d 139, 140 (2d Cir. 2003)).

These undisputed facts prove that Durango sought out replica merchants and became an integral part of their operation. Indeed, Counley was known to Kirk and her fellow replica merchants as “the only one we knew in the United States that did high-risk merchant accounts” for replica products. *Id.* ¶ 39. This “pervasive participation in the formation and direction” of this counterfeiting scheme renders Durango liable as a matter of law. *Gershwin Publ’g Corp. v. Columbia Artists Mgmt., Inc.*, 443 F.2d 1159, 1162-63 (2d Cir. 1971) (affirming summary judgment where direct infringer “depended upon [the contributory infringer] for direction”).

V. DURANGO’S DESTRUCTION OF EVIDENCE FURTHER JUSTIFIES AN ENTRY OF SUMMARY JUDGMENT.

Finally, summary judgment is also appropriate given this Court’s findings that Durango destroyed potentially relevant evidence. *See* Coyle Decl. Ex. 65 (July 2 Order at 3-4). Despite Durango’s conclusory protestations that it destroyed no relevant evidence, the forensic review of Durango’s hard drives strongly suggests otherwise. Plaintiff will never know precisely which files were targeted for wiping because most of the deletion logs automatically created when Lavasoft is run were subsequently shredded and could not be recovered. Declaration of Seth Leone, dated August 3, 2010 (“Leone Decl.”) ¶¶ 12, 13, 15, 16.

Forensic analysis of the Durango hard drives shows that Lavasoft was run at least **28 times** on the computers between May 20 and June 28. *Id.* ¶ 2. Counley testified that he targeted only the “free space” on the his hard drives. Coyle Decl., Ex. 66 (June 30 Hr’g Tr. 19:16-21, 35:25-36:2). But the forensic analysis of the hard drives reveals that he also wiped the recycling bins and the temporary internet files. Leone Decl. ¶ 28. These temporary internet files contained more than 9,000 files, a number of which have titles suggesting they may have contained

materials responsive to Plaintiff's discovery requests. *Id.* ¶¶ 28-30.¹² Because Counley used email to receive and send merchant applications (Durango 56.1 ¶ 74) it is likely that these would also have existed in the temporary internet files. Leone Decl. ¶ 29.

The forensic analysis, moreover, cannot be reconciled with Counley's testimony about the dates he first installed Lavasoft. Although he testified that he purchased and installed the program just weeks prior to his June 14, 2010 deposition, Coyle Decl., Ex. 13 (Counley Tr. 191:7-11), he actually installed Lavasoft on his Toshiba laptop (the computer used when he assisted Laurette) on September 3, 2009, shortly Plaintiff filed this action. Leone Decl. ¶ 23. Counley downloaded Lavasoft onto the Asus on May 20, the day after the discovery conference with the Court. *Id.* ¶ 25. Demopolis and Counley also ran File Shredder on June 25 and 28, 2010, respectively – *after* Plaintiff raised the spoliation issue with the Court. *Id.* ¶¶ 19, 21.

Furthermore, instant messages found on the Durango hard drives show that Demopolis and Counley engaged in a chat about running Lavasoft two days after the May 19, 2010 discovery conference with the Court. Counley cuts off the exchange by stating that they should not discuss the matter over the ICQ instant message system, indicating that they knew what they were doing should be kept secret. *See* Leone Decl., Ex. A. Another chat between Demopolis and "Shaner" (likely Shane Karilla), which occurred two days after Counley admitted to running Lavasoft, casts doubt on his testimony that an article about data security concerns motivated the file scrubbing. In particular, two conversations on June 16 show that both Counley and his

¹² For example, the deleted files include the following: Guide to Chargeback Fines.pdf; last 2 years accounts.zip; MC Rules Violated.pdf; Merchant Application Portfolio - Durango.pdf; Merchant Package.zip ; Merch Docs Durango.pdf.

correspondent were actively searching for articles to fill the role. *See* Leone Decl., Ex. B (“cant [sic] find anything [sic] better [sic] than this”).

The testimony of Durango’s witnesses that they were attempting to delete merchant applications, combined with the forensic evidence that Durango’s document destruction included over 9,000 files, establishes the need for an adverse inference that the destroyed documents contained information harmful to Durango’s case. *See Residential Funding Corp. v. DeGeorge Fin. Corp.*, 306 F.3d 99, 108 (2d Cir. 2002).

Finally, Durango offers no basis to conclude that Gucci has obtained all relevant information from Durango’s residual reports and the merchant applications produced by Woodforest. *See* Durango Br. at 19-21. *First*, there were merchant applications that were sent to processors besides Woodforest that would nonetheless be relevant to Gucci’s claims. *Second*, Plaintiff will never know the extent of Durango’s communications with replica merchants or the contents of the applications that were intentionally wiped. What we know for certain is that two of Durango’s executives ran a file shredding program 28 times after Durango’s failure to produce emails was raised with the Court. Sanctions against Durango are appropriate.

CONCLUSION

For the foregoing reasons, Plaintiff respectfully requests that the Court enter an order granting summary judgment against Defendants Durango and Woodforest.

Dated: New York, New York
August 3, 2010

Respectfully submitted,

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