

Exhibit F



LEXSEE 2002 U.S. DIST. LEXIS 6657

**ROLEX WATCH U.S.A., INC., and PRL USA HOLDINGS, INC., Plaintiffs,
-against- RUFUS TODD JONES a/k/a TODD JONES, individually and d/b/a
DEALS BY TODD; DEAL BY TODD; REPLIC4U; SHIRTS ARE US, Defendant.**

99 Civ. 2359 (DLC)(FM)

**UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF
NEW YORK**

2002 U.S. Dist. LEXIS 6657

April 17, 2002, Decided

DISPOSITION: [*1] Magistrate recommended that judgment be entered against defendant, with costs and attorney's fees.

COUNSEL: For ROLEX WATCH U.S.A., INC., plaintiff: Brian W. Brokate, Gibney, Anthony & Flaherty, L.L.P., New York, NY.

For PRL USA HOLDINGS, INC., plaintiff: Kenneth David Suzan, Gibney, Anthony & Flaherty, L.L.P., New York, NY.

Rufus Todd Jones, Pro se, Omaha, Nebraska.

JUDGES: FRANK MAAS, United States Magistrate Judge. HONORABLE DENISE L. COTE.

OPINION BY: FRANK MAAS

OPINION

**REPORT AND RECOMMENDATION TO THE
HONORABLE DENISE L. COTE**

FRANK MAAS, United States Magistrate Judge.

This trademark infringement action was instituted against a single *pro se* defendant, Rufus Todd Jones

("Jones") by plaintiffs Rolex Watch USA, Inc. ("Rolex") and PRL USA Holdings, Inc. ("PRL"), which are engaged in the manufacture and sale of high-end trademarked goods, including, respectively, Rolex watches and Ralph Lauren clothing. After Your Honor [*2] granted the plaintiffs' motion for summary judgment on October 13, 2000, the matter was referred to me for an inquest by order dated January 2, 2001. The completion of that inquest was delayed by the plaintiffs' efforts to secure discovery in aid of the assessment of damages, an endeavor that they now have abandoned.

As set forth below, on the basis of the limited information that is available concerning Jones' infringing activities, I recommend that judgment be entered against Jones in the amount of \$ 622,050.20, consisting of statutory damages in the amount of \$ 500,000 for Rolex and \$ 100,000 for PRL, attorney's fees in the amount of \$ 16,788.50 for Rolex and \$ 5,111.70 for PRL, and costs in the amount of \$ 150.

I. Relevant Procedural History

Plaintiffs filed their original complaint on March 31, 1999, and their First Amended Complaint on July 1, 1999. The First Amended Complaint sought relief under the Trademark Act of 1946, 15 U.S.C. § 1051, et seq., including an order permanently enjoining Jones' sales of goods bearing counterfeit Rolex and Ralph Lauren

trademarks.

Jones was personally served with the original complaint on April 1, 1999, and [*3] the First Amended Complaint on August 3, 1999. (Docket Nos. 3, 9). In response to at least the first of these pleadings, Jones sent a letter to the Court in late July 1999, in which he attempted to respond to the plaintiffs' claims for relief, suggesting that his activities should not be enjoined or penalized because "replica" watches, such as the ones he was offering, "are sold all day long on the street not four blocks from the law office of [plaintiffs' counsel]." (*See* letter from Jones to Judge Cote dated July 30, 1999). Despite his letter, Jones never formally responded to either the original or the First Amended Complaint.

On May 12, 2000, pursuant to a further order of reference, I held the first part of a two-part settlement conference in this case. At the close of that proceeding, Jones undertook to send me some authority which he believed established that his activities were lawful. He also agreed to participate by telephone in the second half of the settlement conference which was scheduled for July 6, 2000. On that date, however, Jones failed to contact the Court. I also learned that day that the telephone number that Jones provided to the Court during the May 12th [*4] conference had been disconnected.

Despite having been granted two extensions and warned of the consequences of failing to respond, Jones also failed to submit any papers in opposition to a motion for summary judgment that the plaintiffs timely filed on June 13, 2000. Subsequently, by Opinion and Order dated October 13, 2000, Your Honor granted the plaintiffs' motion and directed that a proposed permanent injunction be submitted. *See Rolex Watch, USA, Inc. v. Jones*, No. 99 Civ. 2359, 2000 U.S. Dist. LEXIS 15082, 2000 WL 1528263 (S.D.N.Y. Oct. 13, 2000).

An order of permanent injunction eventually was entered on January 2, 2001. The order also referred this matter to me to conduct an inquest concerning damages. Accordingly, by order dated April 16, 2001, I established a schedule for the submission of materials relevant to the inquest by both sides. Thereafter, however, the plaintiffs moved for discovery in aid of an assessment of damages. Although I granted that motion on May 24, 2001, the copy of my memorandum endorsement sent to Jones' last known address was returned as undeliverable. Not surprisingly, over the course of the next eight months, the plaintiffs were unable to obtain the damages-related [*5]

discovery they sought.

On January 15, 2002, Jones resurfaced, sending a letter from a jail in Douglas County, Nebraska. In his letter, Jones advised the Court that he would like to plead "not guilty," and asked about the "next step" in this case. (*See* letter from Jones to the Court dated Jan. 7, 2002). In response, I sent Jones a letter informing him that summary judgment had been granted and that the next step would be for him to cooperate with the plaintiffs' efforts to obtain discovery. (*See* letter from the Court to Jones dated Jan. 18, 2002). That letter was addressed to Jones at the Nebraska jail but was returned with a notation that Jones was "not there."

Finally, on February 11, 2002, plaintiffs' counsel informed the Court that the plaintiffs were waiving their right to further discovery in light of Jones' "recent conviction in Federal Court in Omaha" and continued incarceration. (*See* letter from Wm. Lee Kinnally, Jr., Esq. to the Court dated Feb. 11, 2002). Rather than submitting any new motion papers, the plaintiffs have relied upon papers which were submitted in 1999 following the entry of a default judgment that Your Honor later vacated.

Thus, after considerable [*6] delay, the Court is today confronted with the very same facts and issues as it was in 1999. Since neither side has provided me with any further submissions, this Report and Recommendation is based upon the papers submitted in connection with the 1999 inquest.

In response to the plaintiffs' earlier papers, Jones submitted a two-page letter stating that the \$ 10 million penalty sought by the plaintiffs was "extremely high," and well beyond his means. (*See* letter from Jones to the Court dated Dec. 17, 1999). Nevertheless, Jones did not request a hearing regarding the question of damages.

II. Evidence Regarding Damages

In or around 1999, Jones was the owner of several Web sites, including www.dealsbytodd.com, www.dealbytodd.com, www.replica4u.com, www.shirtsareus.com, www.qualitytime.com, and www.relicacity.com, through which he offered for sale trademarked Rolex watches and "Polo by Ralph Lauren" clothing. (Decl. of Marc Ragovin, Esq., dated Dec. 3, 1999 ("Ragovin Decl."), P 3). Jones also was listed as the "administrative contact" for two additional Web sites,

www.knockoffalley.com and *www.watchesinc.com*. (*Id.* Ex. C). According to the plaintiffs, Jones [*7] sales of infringing products through these sites commenced as early as February 1999, and continued until at least December 3, 1999, the date that counsel's declaration was filed.¹ (*Id.* P 3).

1 I conducted my own Web search on March 30, 2000, which revealed that these sites are no longer in operation. In its response papers, plaintiffs contend that Jones' sales of counterfeit goods "still continues today." (Pl. Findings of Fact and Conclusions of Law in Supp. of Pl. Req. for Damages at P 15).

In support of their request for an award of damages, the plaintiffs submitted copies of pages downloaded from several of the Web sites, including *www.dealbytod.com*, which apparently was an elaborate site offering "best quality replicas" of Rolex watches for sale at prices ranging from \$ 140 to \$ 900. (Ragovin Decl. Ex. D at 2). That Web site indicated that customers could purchase watches using a credit card. (*Id.*) The site also incorporated images of watches clearly bearing one or more registered Rolex [*8] trademarks, including the Rolex name and crown symbol and style and model names such as "Submariner," "Yacht Master," "DayDate," and "Oyster Perpetual." (*Id.* at 3-14). A counter that was part of the site also indicated that it had received 90,831 visitors as of December 2, 1999. (*Id.* at 2). Plaintiffs also submitted copies of pages downloaded from the *www.knockoffalley.com* Web site which offered for sale clothing clearly bearing trademarked "Polo by Ralph Lauren" logos. (*Id.*)

On February 26, 1999, counsel for Rolex sent an email to *ROLEX4U1@aol.com*, which was listed on the Internet as the email address where the person responsible for the sites could be contacted. (*See id.* Ex. B at 1). In the email message, counsel informed ROLEX4U1 that he had discovered that ROLEX4U1 was illegally offering for sale and selling through Ebay watches bearing one or more of the Rolex trademarks, that ROLEX4U1's merchandise was counterfeit, and that the address should "immediately cease any and all further distribution and sale of [the] merchandise." (*Id.*) In response, counsel received an email signed by someone named "Todd," stating that "all these are replicas and not [*9] sold as real rolexes [sic] and look nothing like a 'REAL' rolex. And you would be surprised at how many

real rolexes I sell for ROLEX Thanks[.]" (*Id.* at 2).

On March 9, 1999, plaintiffs' counsel sent another email message to ROLEX4U1, acknowledging receipt of Jones' February 26, 1999 response, and informing him that he was, in fact, selling "COUNTERFEIT" merchandise through the Internet, and that legal action would be taken against him if he did not stop. (*Id.* at 3). In a curt response, Jones opined that his watches were "not counterfeit" because they clearly state these are not real rolex's [sic]." (*Id.*)

Apparently as a result of this interchange, Jones added a disclaimer to several of his Web sites stating that "all of my watches are replicas and are for entertainment purposes only. . . they are replicas, and are not being sold as real Rolex's [they] are not meant to dilute or hurt the Rolex name. . . . The owner of this website takes no responsibility for what people say or do with these watches after they get them and assumes no civil or criminal liability for selling these replica products." (*Id.* Ex. D at 2 (*www.dealbytod.com*), 19 (*www.qualitytime.com*), 46 (*www.relicacity.com*), and 60 (*www.knockoffalley.com*)). Additionally, Jones added a notice to his *www.dealsbytod.com* Web site which noted that "Ebay is canceling my accounts as fast [as] I can make them because they say I am infringing on the Rolex trademark. I now have a reference page on here so you can buy in confidence. Thank you and stop by again." (Decl. of John Macaluso, Esq., dated Sept. 17, 1999, Ex. 3 at 2). Jones also sent an email to plaintiffs' counsel threatening to bring suit in Nebraska "for lost wages of [\$]2000.00 per day" if the plaintiffs' succeeded in their efforts to have his Internet service providers deny him access to the Internet. (*Id.* Ex. E). When the plaintiffs were able to shut down his access to the Internet through such third-party providers, Jones managed to continue his sales activities by operating as a Web host. (Ragovin Decl. at P 5). He reestablished his sites at *www.y2khosting.net*. (*Id.*)

Because they have been unable to secure meaningful discovery, the plaintiffs, not surprisingly, have offered no proof as to the profits that Jones may actually have derived through his sale of counterfeit versions of their [*11] trademarked goods. The plaintiffs also have failed to adduce any evidence concerning their own lost profits. Instead, the plaintiffs seek statutory damages, pursuant to 15 U.S.C. § 1117(c)(2), in the amount of \$ 10 million -- \$ 9 million for violations of nine federally-registered Rolex

trademarks, and an additional \$ 1 million for violation of PRL's "Ralph Lauren" trademarks. (Pls.' Mem. at 2). The plaintiffs also seek \$ 16,788.50 for attorney's fees incurred by Rolex, \$ 5,111.50 for attorney's fees incurred by PRL, and costs in the amount of \$ 2,255.66. (Ragovin Decl. P 8 & Exs. E-G).

III. Discussion

A. Relevant Statute

The Anticounterfeiting Consumer Protection Act of 1996, Pub. L. No. 104-153, 110 Stat. 1386 (the "Act"), was promulgated in an effort to reduce the distribution of counterfeit trademarked goods by permitting trademark holders, at their option, to recover statutory damages against infringers without the need to prove their actual damages.

Section 7 of the Act provides that:

(a) When a violation of any right of the registrant of a mark registered in the Patent and Trademark Office . . . shall have been established in [*12] any civil action arising under this chapter, the plaintiff shall be entitled, subject to the provisions of sections 1111 and 1114 of this title, and subject to the principles of equity, to recover (1) defendant's profits, (2) any damages sustained by the plaintiff, and (3) the costs of the action. . . . The court in exceptional cases may award reasonable attorney fees to the prevailing party.

(b) In assessing damages under subsection (a) of this section, the court shall, unless the court finds extenuating circumstances, enter judgment for three times such profits or damages, whichever is greater, together with a reasonable attorney's fee, in the case of any violation of section 1114(1)(a) of this title or section 380 of Title 36 that consists of intentionally using a mark or designation, knowing such mark or designation is a counterfeit mark (as defined in section 1116(d) of this title), in connection with the sale, offering for sale, or distribution of goods or services. . . .

(c) In a case involving the use of a counterfeit mark (as defined in section 1116(d) of this title) in connection with the sale, offering for sale, or distribution of goods or services, the plaintiff [*13] may elect, at any time before final judgment is rendered by the trial court, to recover, instead of actual damages and profits under subsection (a) of this section, an award of statutory damages for any such use in connection with the sale, offering for sale, or distribution of goods or services in the amount of--

(1) 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; or

(2) if the court finds that the use of the counterfeit mark was willful, not more than \$ 1,000,000 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).

B. Application of Law to Facts

1. Statutory Damages

In this case, by virtue of his default, Jones has admitted the allegation in the First Amended Complaint that he acted wilfully. In addition, in granting summary judgment, Your Honor previously has found that "Jones' bad faith is manifest." *Rolex*, 2000 U.S. Dist. LEXIS 15082, 2000 WL 1528263, at *3. Accordingly, the plaintiffs argue that they have the option of collecting [*14] statutory damages pursuant to Section 1117(c)(2) in the amount of \$ 10 million (\$ 1 million per counterfeit mark per type of goods sold). (*See Ragovin Decl. PP 5-7*). On its face, Section 1117(c)(2) would appear to

support such an award provided that the Court considers it "just."

In the absence of any guidelines for determining the appropriate award in a case involving wilful trademark violations, several courts in this Circuit have looked for guidance to the better developed case law under Section 504(c) of the Copyright Act, 17 U.S.C. § 504(c), which permits an award of statutory damages for wilful copyright infringement. *See, e.g., Guess?, Inc. v. Gold Ctr. Jewelry*, 997 F. Supp. 409, 411 (S.D.N.Y.)(Kaplan, J.), *rev'd on other grounds sub nom. Gucci Am., Inc. v. Gold Ctr. Jewelry*, 158 F.3d 631 (2d Cir. 1998); *Sara Lee Corp. v. Bags of N.Y., Inc.*, 36 F. Supp. 2d 161, 166 (S.D.N.Y. 1999)(Motley, J.); *Polo Ralph Lauren, L.P. v. 3M Trading Co., Inc.*, No. 97 Civ. 4824, 1999 U.S. Dist. LEXIS 7913, at *13-14 (S.D.N.Y. Mar. 23, 1999)(Report and Recommendation of Dolinger, Mag. J.), *adopted without [*15] objection*, 1999 U.S. Dist. LEXIS 6251 (S.D.N.Y. Apr. 19, 1999). As those cases indicate, where, as here, a defendant is shown to have acted wilfully, a statutory damages award should incorporate not only a compensatory, but also a punitive component to discourage further wrongdoing by the defendants and others. *See, e.g., Fitzgerald Publ'g Co., Inc. v. Baylor Publ'g Co., Inc.*, 807 F.2d 1110, 1117 (2d Cir. 1986); *N.A.S. Import, Corp. v. Chenson Enters., Inc.*, 968 F.2d 250, 252 (2d Cir. 1992).

In *Sara Lee*, 36 F. Supp. 2d at 170, Judge Motley awarded statutory damages in the amount of \$ 750,000 after estimating the defendants' ill-gotten gains and trebling them to "deter and punish a willful continuous course of infringement and defiance of the judicial process." In several other cases involving trademark wilful infringement, judges in this District have awarded \$ 25,000 per infringing mark or group of marks. *See Gucci Am., Inc. v. Gold Ctr. Jewelry*, 997 F. Supp. 399, 401, 406 (S.D.N.Y. 1998)(Kaplan, J.)(awarding \$ 25,000 per trademark violation sought by plaintiffs); ² ³ *M Trading Co.*, 1999 U.S. Dist. LEXIS 7913, [*16] at * 18; *see also Odegard, Inc. v. Costikyan Classic Carpets, Inc.*, 963 F. Supp. 1328, 1341 (S.D.N.Y. 1997)(awarding \$ 25,000 in statutory damages under the Copyright Act despite plaintiffs' failure to show that they lost profits or that the defendants benefitted financially). In the latter cases, however, the defendants were engaged in sales of counterfeit goods from storefront operations, rather than a network of Internet sites such as that operated by Jones. In view of the virtually limitless number of customers

available to Jones through his Web sites and his unwillingness to terminate his infringing activities despite ample warning, it is clear that an award of \$ 25,000 for each category of trademarked goods would plainly be inadequate to compensate the plaintiffs. Indeed, one of Jones' Web sites alone had more than 90,000 visitors. Jones also has claimed that the plaintiffs' efforts to deprive him of an ISP resulted in lost wages of \$ 2,000 per day, or more than \$ 700,000 per year.

2 Judge Kaplan later reduced his award per statutory violation to \$ 4,500 based upon the defendant's evidence of his minimal income. *See Guess?, 997 F. Supp. at 412*. On appeal, however, the Second Circuit reinstated Judge Kaplan's original award. *See Gucci*, 158 F.3d at 635 (2d Cir. 1998).

[*17] In short, statutory damages of less than \$ 1 million but more than \$ 25,000 per category of trademarked goods are appropriate to compensate the plaintiffs for their losses and to deter Jones from violating the plaintiffs' trademarks anew upon his release from jail. In light of his extensive and protracted efforts to avoid having his Internet sales network shut down, I recommend that the Court award statutory damages in the amount of \$ 500,000 for Jones' infringement of the Rolex trademarks and \$ 100,000 for his infringement of the Ralph Lauren trademarks.

2. Attorney's Fees and Costs

Under 15 U.S.C. § 1117(b), attorney's fees must be awarded in cases involving wilful infringement unless the Court finds "extenuating circumstances." *See Sara Lee*, 36 F. Supp. 2d at 170; *Guess?, 997 F. Supp. at 412*. Additionally, 15 U.S.C. § 1117(a) permits a plaintiff to recover "the costs of the action," subject to "principles of equity," even without a showing of wilfulness. *Sara Lee*, 36 F. Supp. 2d at 170-71.

Turning first to the issue of attorney's fees, as set forth above, there can be no question [*18] as to Jones' wilful infringement of the plaintiffs' trademarks. Moreover, his conduct throughout this litigation has unquestionably substantially increased the plaintiffs' legal expenses. Although Jones contends that he lacks the resources to honor a substantial judgment, he has provided absolutely no details concerning his financial situation. Accordingly, he has not shown that there are any extenuating circumstances to preclude the entry of an

award of attorney's fees against him.

In this Circuit, a party seeking such an attorney's fee award must submit "contemporaneous time records specifying 'the date, the hours expended and the nature of the work done'" for each attorney involved. *Pressman v. Estate of Steinvorth*, 886 F. Supp. 365, 367 (S.D.N.Y. 1999)(Carter, J.)(quoting *N.Y.S. Ass'n for Retarded Children v. Carey*, 711 F.2d 1136, 1147-48 (2d Cir. 1983)). Alternatively, summaries of such records, accompanied by affidavits attesting that the summaries are accurate, may be submitted to reduce the burden on counsel. *See id.* (citing *Cruz v. Local Union No. 3 of Int'l Bhd. of Elec. Workers*, 34 F.3d 1148, 1160 (2d Cir. 1994)). [*19] *See also Bankers Fed. Savings Bank FSB v. Off W. Broadway Developers*, 224 A.D.2d 376, 378, 638 N.Y.S.2d 72, 74 (1st Dep't 1996)("award of fees must be predicated upon a proper and sufficient affidavit of services")(internal quotations and citations omitted).

The plaintiffs have submitted detailed time records which indicate that Rolex has incurred legal fees in the amount of \$ 16,788.50. (Ragovin Decl. P 8 & Ex. E). In addition, the plaintiffs have submitted detailed time records which indicate that PRL has incurred legal fees in the amount of \$ 5,111.70 for this matter. (*Id.* P 8 & Ex. F). Accordingly, the judgment to be entered in this case should award the plaintiffs a total of \$ 21,900.20 for attorney's fees.

Finally, the plaintiffs seek to recover \$ 2,255.66 in costs. Taxable costs under 28 U.S.C. § 1920 and Local Civ. R. 54.1(c) include the \$ 150 filing fee for a federal action, but do not include the expense of investigators hired to purchase the counterfeit product. Accordingly, costs should only be allowed in the amount of \$ 150.

IV. Conclusion

For the reasons set forth above, I recommend that the Court enter judgment [*20] against Jones in the amount of \$ 622,050.20, consisting of statutory damages pursuant to 15 U.S.C. § 1117(c)(2) in the amount of \$ 500,000 for Rolex and \$ 100,000 for PRL, attorney's fees in the amount of \$ 16,788.50 for Rolex and \$ 5,111.70 for PRL, and costs in the amount of \$ 150.

V. Procedure for Filing of Objections to This Report And Recommendation

The parties shall have ten days from the service of this Report and Recommendation to file written objections pursuant to 28 U.S.C. § 636(b)(1) and Rule 72(b) of the Federal Rules of Civil Procedure. *See also* Fed. R. Civ. P. 6(a) and (e). Any such objections shall be filed with the Clerk of the Court, with extra copies delivered to the chambers of the Honorable Denise L. Cote, at the United States Courthouse, 500 Pearl Street, New York, NY 10007, to the chambers of the undersigned, at the United States Courthouse, 500 Pearl Street, New York, NY 10007, and to any opposing parties. *See* 28 U.S.C. § 636(b)(1); Fed. R. Civ. P. 6(a), 6(e), 72(b). Any requests for an extension of time for filing objections must be directed to Judge Cote. Failure to file [*21] timely objections will result in a waiver of those objections for purposes of appeal. *See Thomas v. Arn*, 474 U.S. 140, 106 S. Ct. 466, 88 L. Ed. 2d 435 (1985); Fed. R. Civ. P. 6(a), 6(e), 72(b).

Dated: New York, New York

April 17, 2002

FRANK MAAS

United States Magistrate Judge