UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF NEW YORK

JOHNSON & JOHNSON and LIFESCAN, INC.,	:	
Plaintiffs,	:	REPORT & RECOMMENDATION
-against-	:	08-CV-1297 (SLT) (SMG)
SOUTH POINTE WHOLESALE, INC., et al.,	:	
Defendants.	:	

Gold, S., United States Magistrate Judge:

INTRODUCTION

Plaintiffs, Johnson & Johnson and its wholly-owned subsidiary, LifeScan, Inc. ("LifeScan") (collectively, "J&J" or "Plaintiffs"), bring this action alleging that defendants imported or distributed counterfeit blood glucose test strips bearing plaintiffs' trademarks. Plaintiffs assert claims for trademark infringement, false designation of origin or description, false advertising, and trademark dilution pursuant to Sections 32 and 43 of the Lanham Act, 15 U.S.C. §§ 1114, 1125; for trademark dilution and deceptive business practices, pursuant to N.Y. Gen. Bus. §§ 360-*l*, 349; and for unfair competition and unjust enrichment pursuant to common law. Sixth Amended Complaint ¶¶ 651-71 ("Compl."), Docket Entry 265.[1]

Plaintiffs have moved for summary judgment against ten defendants, comprised of five corporations and their principals: Novex America, Inc. ("Novex") and Dennis Cantor (together, "Novex Defendants"); Green Valley Medical Distributors, LLC ("Green Valley") and Randy Crowell (together, "Green Valley Defendants"); MSI Medical Supply, Inc. ("MSI") and Michael Barba (together, "MSI Defendants"); Cobra Capital, Inc. ("Cobra") and Herbert Dunayer

[1] The Complaint also includes a common law claim for breach of contract, ¶¶ 672-76, but this claim is not asserted against any of the defendants that are the subject of the pending motion for summary judgment.

(together, "Cobra Defendants"); and H&H Wholesale Services, Inc. ("H&H") and Howard Goldman (together, "H&H Defendants"). In the same motion, plaintiffs also seek default judgments against Midwest Drug Supply, LLC ("Midwest") and its principal, Dennis Gatscher (together, "Midwest Defendants").[2] Docket Entry 746. United States District Judge Sandra L. Townes has referred plaintiffs' motion to me for report and recommendation. Docket Entry 750.

J&J moves for summary judgment against the five sets of appearing defendants on all claims except unfair competition, which they assert in this motion only against the H&H Defendants. As to the H&H Defendants, plaintiffs seek maximum statutory damages for willful infringement, punitive damages, attorney's fees, and permanent injunctive relief. Mem. Supp. Pls.' Mot. Summ. J. 63-69 ("J&J Mem."), Docket Entry 747.[3] With respect to the other appearing defendants, J&J moves for summary judgment with respect to liability on all remaining claims, *id.* at 77, 81, 86, 88-89, but does not seek a damages determination at this time.[4] The Clerk of Court has entered the defaults of the Midwest Defendants pursuant to Rule 55(a) of the Federal Rules of Civil Procedure, Docket Entries 674-75, and as to them plaintiffs seek entry of default judgments of liability on all claims, statutory damages for non-willful infringement under the Lanham Act, and permanent injunctive relief. *Id.* at 89-92.

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[2] Plaintiffs originally sought summary judgment against additional defendants Sterling Wholesale, LLC and Jeffrey Littman. However, on November 11, 2013, a consent judgment and permanent injunction was entered and the action was dismissed with prejudice against these defendants. Docket Entry 766.

[3] Defendants' opposing memoranda of law and plaintiffs' reply will be referenced in this Report as follows: Novex Defs.' Mem. Opp. Pls.' Mot. Summ. J. ("Novex Mem."), Docket Entry 747-11; Green Valley Defs.' Mem. Opp. Pls.' Mot. Summ. J. ("Green Valley Mem."), Docket Entry 747-4; MSI Defs.' Mem. Opp. Pls.' Mot. Summ. J. ("MSI Mem."), Docket Entry 747-8; Cobra Defs.' Mem. Opp. Pls.' Mot. Summ. J. ("Cobra Mem."), Docket Entry 747-2; H&H Defs.' Mem. Opp. Pls.' Mot. Summ. J. ("H&H Mem."), Docket Entry 747-6; Pls.' Reply Mem. Supp. Pls.' Mot. Summ. J. ("J&J Reply Mem."), Docket Entry 747-17.

[4] Plaintiffs explain that they are "reserving for trial the determination of damages as to each of the remaining defendants." J&J Mem. 4. In particular, they assert that they intend to demonstrate willfulness and seek punitive damages against the Novex Defendants, but they acknowledge that there are still disputed issues of fact in this regard. *Id.* at 74, 78.

FACTUAL BACKGROUND [5]

This case concerns genuine LifeScan diabetes test strips that were manufactured and distributed abroad for sale in foreign countries but then repackaged and imported here for resale.[6] According to J&J, defendants imported or distributed genuine OneTouch test strips intended for foreign markets that were removed from their "original international packaging" and placed in counterfeit boxes, with counterfeit vial labels and instructional leaflets, that made them falsely appear as if they were intended for sale in the United States. J&J Mem. 1. Plaintiffs' infringement claims are based upon the reproduction of their registered trademarks on the counterfeit U.S. retail packaging used by defendants.

I. Trademarks and Products at Issue

J&J, a New Jersey corporation, is the owner of five registered federal trademarks that appear on packaging for meters and test strips used for blood glucose monitoring: LIFESCAN, ONETOUCH, ONE TOUCH ULTRA, INDUO, and ULTRASMART (collectively, "OneTouch Marks"). J&J 56.1 ¶ 1. These five marks are registered to LifeScan, J&J's wholly-owned

[5] This section is drawn primarily from the parties' Rule 56.1 statements and the exhibits referenced therein. "J&J 56.1" refers to Plaintiffs' Rule 56.1 Statement filed in support of the motion for summary judgment, Docket Entry 747-1. All five sets of appearing defendants have filed responses. Docket Entries 747-12 ("Novex 56.1"); 747-5 ("Green Valley 56.1"); 747-9 ("MSI 56.1"); 747-3 ("Cobra 56.1"); 747-7 ("H&H 56.1"). Four sets have also filed additional statements of material facts. Docket Entries 747-13 ("Novex 56.1 Add'l"); 747-5, at 33-42 ("Green Valley 56.1 Add'l"); 747-10 ("MSI 56.1 Add'l"); 747-7, at 33-42 ("H&H 56.1 Add'l").

A large volume of evidentiary material from both plaintiffs and defendants was filed and remains under seal as exhibits to the following docket entries: Declaration of Geoffrey Potter, Sept. 24, 2012 ("Potter 9/24/12 Decl."), Docket Entry 746-1; Declaration of Geoffrey Potter, Mar. 18, 2013 ("Potter 3/18/13 Decl."), Docket Entry 746-16; Declaration of Geoffrey Potter, June 20, 2013 ("Potter 6/20/13 Decl."), Docket Entry 754; Declaration of Adam R. Bialek ("Bialek Decl."), Docket Entry 746-12; Declaration of Martin I. Saperstein ("Saperstein Decl."), Docket Entry 746-9; Declaration of Jura C. Zibas ("Zibas Decl."), Docket Entry 746-11; Declaration of Joseph P. Ferri, Jr. ("Ferri Decl."), Docket Entry 746-7; Declaration of Stanley R. Goodman ("Goodman Decl."), Docket Entry 746-10.

[6] According to plaintiffs, genuine OneTouch test strips, as well as the vials and boxes in which they are packaged, are manufactured and the final products are assembled in both Scotland and Puerto Rico. *See* Deposition of Roy Albiani 432, 445, 520, 618, February 25, 2010, Potter 3/18/13 Decl., Ex. 242; *see also* J&J 56.1 ¶ 250 (stating that "the source of J&J's shipping boxes" is "J&J's Puerto Rico supplier"). Additionally, the designation "Made in U.K." is visible on many of the photographs of boxes submitted by J&J. *See, e.g.*, J&J Reply Mem. 32.

operating subsidiary. *See* Declaration of Roy Albiani ¶ 1, Ex. 1, Sept. 21, 2012 ("Albiani 9/21/12 Decl."), Docket Entry 746-2. Neither the validity of the OneTouch Marks nor their ownership by J&J is disputed.[7]

According to plaintiffs, the OneTouch Marks are "of inestimable value" because they have achieved a high level of consumer recognition—the result of "extensive advertising" and the goodwill that is associated with the "widespread sale" of the high-quality test strips that bear these marks. J&J 56.1 ¶¶ 2-5. LifeScan's Global Director of Brand Integrity, Roy Albiani, has stated in a declaration that the OneTouch Marks are "the best selling blood glucose test strips in the United States," Albiani 9/21/12 Decl. ¶ 4, and are "recognized by the public, and in the trade as originating from a single source, LifeScan," J&J 56.1 ¶ 3. Albiani estimates that LifeScan has spent tens of millions of dollars just on marketing and promoting its OneTouch Ultra products. Albiani 9/21/12 Decl. ¶ 5; *see* J&J 56.1 ¶ 2.[8]

The OneTouch products in this case are test strips that are used together with blood glucose meters to measure a diabetic patient's blood glucose level. The packaging of the test strips contains information that helps ensure the proper functioning of the product. J&J 56.1

[7] Some defendants assert that "not all of the cited marks appeared on the allegedly infringing goods." Novex 56.1 ¶ 1; MSI 56.1 ¶ 1; Cobra 56.1 ¶ 1 (citing LifeScan documents LFS00010-000101, which are available at Potter 9/24/12 Decl. Ex. 102).

[8] Defendants question the admissibility of Albiani's declaration on grounds that he "lacks personal knowledge that the public and the trade recognize that the OneTouch trademark originates from LifeScan, Inc." H&H 56.1 ¶ 3; Green Valley 56.1 ¶ 3; *see* Novex 56.1 ¶ 3; MSI 56.1 ¶ 3; Cobra 56.1 ¶ 5 (citing Albiani's deposition testimony regarding his job responsibilities). In the testimony transcript cited by defendants, Albiani explained that his work for LifeScan in the previous six years had been in "brand integrity [which] is a business discipline that protects people with diabetes from elicit [*sic*] trade" related to "counterfeit product." Deposition of Roy Albiani 24-25, Feb. 24, 2010, Bialek Decl. Ex. HH. Albiani's specialization in brand integrity as opposed to marketing, however, does not preclude the admissibility of his testimony about consumer recognition. Albiani also testified that in his twenty-three years of employment by J&J, he previously held multiple senior-level marketing positions. *Id.* at 16, 26. I therefore conclude that Albiani is competent to testify about the public's perception of plaintiffs' marks.

¶ 110.[9] In a supporting declaration, plaintiffs' scientific expert, Dr. Patricia Maguire, both summarizes how test strips function and explains why the information on their packaging is crucial to their proper use. The test strips involved in this case are used as follows: First, a patient places a test strip in a meter. The patient then takes a tiny blood sample using a lancing device and applies the blood sample to the test strip. Finally, within seconds, the digital screen on the meter displays the results. J&J 56.1 ¶ 8; Declaration of Patricia Maguire ¶ 3, Sept. 21, 2012 ("Maguire 9/21/12 Decl."), Docket Entry 746-5. In order for the test strips and the meter to work together to produce accurate results, two pieces of information are needed: the control solution range and the calibration code. J&J 56.1 ¶ 10; Maguire 9/21/12 Decl. ¶¶ 4-5.[10] Both can vary depending on the particular batch of test strips. Each batch of strips is assigned a unique lot number, and strips with the same lot number have the same control solution range, calibration code, and expiration date. J&J 56.1 ¶ 9; Maguire 9/21/12 Decl. ¶ 4. When each vial is manufactured, a label is affixed to it that indicates the lot number, control solution range, and

[9] Two sets of defendants object on grounds that the citations provided in plaintiffs' Rule 56.1 statement do not support this assertion. Novex 56.1 ¶ 110; MSI 56.1 ¶ 110. The citations in plaintiffs' Rule 56.1 statement are to the declaration of J&J's scientific expert, Dr. Patricia Maguire, who holds a Ph.D. in Biochemistry and Biophysics and is the Manager of Product Assessment at LifeScan. Declaration of Patricia Maguire ¶¶ 1-2, Sept. 21, 2012, Docket Entry 746-5. Dr. Maguire's statements are indeed supportive of the facts posited by plaintiffs. For example, Maguire explains that "all genuine OneTouch test strips are packaged in vials with labels indicating, among other things, a specific lot number and a calibration code that corresponds to the specific test strips contained in those vials [and also] a control range, which is used by the customer to assure that the test strip and the meter are working properly together." Declaration of Patricia Maguire ¶ 2, Mar. 29, 2008, Potter 9/24/12 Decl. Ex. 2.

[10] The Novex and MSI Defendants make various evidentiary objections to the paragraph of plaintiffs' Rule 56.1 statement cited in the text. Novex 56.1 ¶ 10 (vague and ambiguous terminology); MSI 56.1 ¶ 10 (lack of documentary evidence; vague and ambiguous terminology). The Novex Defendants also dispute that all genuine test strips have lot numbers that correspond to the lot numbers on their original packaging; however, they offer no evidentiary support for this contention or many of their other objections. *See* Novex 56.1 ¶ 11. Certainly, defendants raise no meaningful challenge to Maguire's competence to testify to the matters set forth in the text. Moreover, Local Civil Rule 56.1(d) provides that each statement by a movant or opponent pursuant to Rule 56.1 "including each statement controverting any statement of material fact, must be followed by citation to evidence which would be admissible." Because defendants present no evidentiary support for their contention with respect to Maguire, I do not consider it. Similarly, to the extent defendants raise similarly unsupported objections to paragraphs of plaintiffs' Rule 56.1 statement cited below, I do not consider those objections.

calibration code. J&J 56.1 ¶ 11; Maguire 9/21/12 Decl. ¶ 6.

In March 2008, a OneTouch customer complained about a puncture in a vial of OneTouch Ultra test strips he had acquired. The customer returned the vial, and J&J analyzed it and found what appeared to be counterfeit U.S. retail packaging. J&J 56.1 ¶¶ 12-14. J&J notified the FDA and issued FDA-approved notifications on LifeScan's website and by letter to distributors and pharmacies in May of 2008. *Id.* ¶¶ 15-17. According to plaintiffs, the repackaging process threatened patient safety because, in order "to repackage the test strips, the counterfeiters broke the safety seals on the outer packaging and physically handled the test strips . . . in dangerous and unsanitary ways." J&J Mem. 2. Repackaging also compromised the utility of the genuine test strips within because it "changed critical information on the vial labels." *Id.* at 2.

Plaintiffs proceeded to investigate by purchasing test strips from various retail pharmacies in the United States and found that some of the strips they purchased were in counterfeit packaging made to look like genuine U.S. retail packaging. J&J 56.1 ¶¶ 19-20. Upon plaintiffs' application, in April 2008, United States District Judge Sandra L. Townes ordered seizures of products containing the OneTouch Marks from a number of locations in the United States and requested international judicial assistance with seizures in South Africa.[11] *See* Docket Entries 9, 27, 28, 90; J&J 56.1 ¶¶ 21-22. In connection with litigation in the Netherlands, J&J obtained leave from the District Court of Amsterdam to seize hard copy and electronic records and OneTouch test strips from the home and business locations of a former defendant. *See* Declaration of Simon Dack ¶¶ 2-5, Docket Entry 746-3. The seizures in the U.S. led to the

[11] Some of the foreign seizures were made at premises controlled by foreign entities that were once defendants in this case. Although these entities are no longer parties, certain individuals associated with them have provided testimony in support of plaintiffs' motions.

recovery of 30,594 counterfeit 100-count boxes of OneTouch Ultra test strips, many of which were in the possession of defendant Novex or its customers. J&J 56.1 ¶¶ 22-26.[12] Specifically, 8,034 boxes were seized directly from a warehouse used by Novex in Miami, Florida, and 1,008 boxes were seized from IPC ServeAll, a Novex customer that received the seized boxes from Novex. J&J 56.1 ¶¶ 25, 226. An additional 12,516 boxes were seized from South Pointe Wholesale, Inc. ("South Pointe"). J&J 56.1 ¶ 23.[13]

Plaintiffs sent samples from each lot number purchased or seized to their expert, Dr. Maguire, for examination. J&J 56.1 ¶ 108. Chain of custody documents were created that track the details with respect to the seized test strips, including the quantity of boxes seized on each date, the entity from which they were seized, their lot numbers, and whether they were 50-count or 100-count boxes. *Id.* ¶ 113. Using a sampling plan developed by a LifeScan statistician,

[12] In response to J&J's 56.1 ¶ 25, the Novex Defendants object to the statement that plaintiffs "recovered" the boxes on grounds that the term is "vague and ambiguous." Novex 56.1 ¶ 25. They also add that they voluntarily turned over some of the identified boxes to plaintiffs. *Id.* There is no dispute, however, over any *material* fact; it is undisputed that the boxes of test strips described by plaintiffs were in counterfeit packaging and were in the possession of Novex or its customers. In addition, defendants repeatedly assert in their responsive 56.1 statements that plaintiffs' citations do not support the factual statements for which they are cited, but a review of the evidence relied on by plaintiffs demonstrates that this is simply not so. While I do not address each assertion of this type, for illustrative purposes, I consider defendants' objections to J&J 56.1 ¶¶ 22-26, which are factual statements regarding the seizures that were carried out in April and May of 2008. In support, plaintiffs provide a chart that details the quantity of boxes and lot numbers that were seized on particular dates from entities that are defendants or former defendants in this litigation. Potter 9/24/12 Decl. Ex. 106, at LFS000133-134. Plaintiffs also cite to multiple declarations of their scientific expert, Dr. Maguire, discussed *supra* note 9, in which she sets forth her qualifications, describes her investigation of the seized products, and explains how she determined that the products are counterfeit. Maguire 9/21/12 Decl.; Potter 9/24/12 Decl. Exs. 2-6 (other Maguire Declarations). Plaintiffs also cite the Declaration of Thomas Wagner, a private investigator who secured test strips received from defendant Novex by one of its customers, IPC, and who confirms in his declaration that all 1,008 boxes he received were 100-count OneTouch Ultra lot number 2779173. Potter 9/24/12 Decl. Ex. 206. The parties argue over certain details of the tallying and the chain of custody forms, *see* J&J Reply Mem. 42-47; Novex 56.1 Add'l ¶¶ 41-86, but it is clear that the evidence cited by J&J does support the factual statements regarding the seizures of counterfeit test strips and that defendants' objections to J&J 56.1 ¶¶ 22-26 are without merit.

[13] It appears that South Pointe purchased some, but not all, of its test strips from Novex. There is much briefing concerning how much of the South Pointe seized product may reasonably be inferred to have come from Novex. *See* Novex Mem. 27-29; J&J Reply Mem. 42-48; *see also* Novex 56.1 ¶ 22; MSI 56.1 ¶ 22; Cobra 56.1 ¶ 22. It is immaterial for purposes of the pending motion precisely how many of the boxes seized from South Pointe can be traced to Novex because the number of boxes plaintiffs attribute to Novex is based solely upon Novex's own records.

Maguire conducted an extensive examination of the seized products and determined that all were counterfeit. *Id.* ¶¶ 22-26; 108-22. By comparing the seized products with a genuine sample from each lot number, Maguire determined that the counterfeit packaging had defects in the background color, text style, and resolution ("[t]he print was grainier in the counterfeit"), and observed differences in the paper stock used, as well as the size, color, and folding of the inserts. Perhaps most critically, Maguire also determined that the expiration dates, calibration codes, and control solution ranges listed on the vials and outer cartons did not match the information for genuine test strips with the same lot number.[14] Finally, Maguire observed misspellings and typographical errors in the inserts that are not present in the text of genuine inserts. J&J 56.1 ¶¶ 117-18. Based on her findings and in consultation with the statistician, Maguire concluded that, with respect to the relevant lot numbers at issue here, "at least 99.6% of the product seized is counterfeit, at the 95% confidence level." Maguire 9/21/12 Decl. ¶ 17.

II. The Counterfeiting Operation

A. CAMS, Rowan Tree, Gymtrade

Using Novex's own detailed business records,[15] plaintiffs were able to identify the source of the counterfeit-packaged test strips seized from Novex: a Swiss corporation, Corporate Advice & Management Services AG ("CAMS"). Further investigation revealed that, with respect to the seized test strips, CAMS acted on behalf of two South African corporations, Gymtrade, CC ("Gymtrade") and Rowan Tree/Hadida, as well as a Netherlands-based company, CHI

[14] For each lot manufactured, LifeScan retains the first and last vial label in its records. J&J 56.1 ¶ 118.

[15] The Novex records are discussed in more detail below in the section of this Report addressed to plaintiffs' evidence of Novex's liability. *See* discussion beginning *infra* p. 26.

Pharma/Trayll.[16] Plaintiffs have provided documents, affidavits, and deposition testimony from various individuals involved in a counterfeiting operation based in South Africa, including two of four individuals that J&J has dubbed "kingpins," the employees of one of these individuals, and the professional printer who, plaintiffs contend, created the counterfeit packaging.[17] As demonstrated below, this evidence – especially when considered together with the counterfeit packages seized from Novex and Novex's business records identifying the source of those packages – convincingly demonstrates that, during the relevant time period, all of the test strips sold by these companies were in counterfeit packaging. Defendants, moreover, have failed to provide any evidence to the contrary.

Gymtrade's two principals, Aristidis Spanellis and Anton van Schalkwyk, were in the business of buying and selling LifeScan test strips and other products. J&J 56.1 ¶ 27. Rowan Tree/Hadida was run by an individual named Coenraad Swart. J&J 56.1 ¶ 28. The evidence presented by J&J indicates that there was a close relationship between the two companies. Spanellis estimates that sales to Rowan Tree/Hadida were more than half of Gymtrade's business. Spanellis Dep. 79. Based on Gymtrade invoices and Spanellis' deposition testimony, J&J has established that Gymtrade sold large quantities of LifeScan test strips to Rowan Tree/Hadida: 10,240 boxes in December 2005; 16,159 in February 2006; and 6,046 in July 2006. Spanellis Dep. 363-67, Ex. 45. Email communication between Van Schalkwyk and Swart also suggests that Gymtrade lent approximately $32,000 to Rowan Tree/Hadida in December of 2006.

[16] The closely held corporation Rowan Tree was renamed "Hadida Trading" in June 2007. Affidavit of Johannes Bax ¶ 75 ("Bax Aff."), Potter 6/20/13 Decl. Ex 25. The limited liability company CHI Pharma B.V. was renamed "Trayll Brands B.V." in May 2007. Bax Aff. ¶ 2.

[17] *See* Deposition of Aristidis Spanellis ("Spanellis Dep."), Potter 9/24/12 Decl. Exs. 40-A, 40-B, 40-C; Deposition of Eric Stevens ("Stevens Dep."), Potter 9/24/12 Decl. Exs. 41-A, 41-B; Bax Aff.; Deposition of Raphael Curquejo ("Curquejo Dep."), Potter 9/24/12 Decl. Ex. 20; Affidavit of Alfredo Cazzavillan ("Cazzavillan Aff."), Potter 9/24/12 Decl. Ex. 9.

J&J 56.1 ¶ 36; Spanellis Dep. Ex. 11. Gymtrade also invoiced Rowan Tree/Hadida for approximately $1,200,000 in marketing and consulting services in 2006-2008. J&J 56.1 ¶¶ 37-38; Spanellis Dep. 367-68.

In 2001, Spanellis, Van Schalkwyk, and Swart formed and became the sole shareholders of a third company, Wengen Investment Holdings, Ltd. ("WIH"). J&J 56.1 ¶ 32. The three developed a close business relationship with a Dutch individual, Eric Stevens, whom they met in 2003 when Stevens helped WIH become a LifeScan authorized distributor in Zambia. J&J 56.1 ¶¶ 31-33; *see* J&J Mem. 24-25.[18] Stevens' company, CHI Pharma/Trayll, also traded in LifeScan test strips and was a LifeScan authorized distributor in Ghana from 2003 to 2006. J&J 56.1 ¶¶ 30, 76.[19]

The counterfeiters modeled their packaging after authentic boxes of U.S. retail products. They obtained genuine packaging to copy by arranging for Raphael Curquejo, an employee of Stevens based in Miami, Florida, to purchase legitimate packages of test strips in the United States and send them to the counterfeiters. J&J 56.1 ¶¶ 48-66. Curquejo, who was deposed in this action, testified that he was instructed by Eric Stevens to purchase LifeScan test strips from retail pharmacies "in a limited amount for sample purposes" in order "to help out some relations of Mr. Stevens." Curquejo Dep. 24. Curquejo shipped all of the samples he purchased to WIH in South Africa. J&J 56.1 ¶¶ 50, 53; Curquejo Dep. 28-29, 49-50, 76-77. Stevens explicitly

[18] Plaintiffs note that the written contract between WIH and J&J explicitly prohibited the sale of test strips outside of Zambia and the sale to distributors that WIH reasonably suspected would sell outside of Zambia. J&J 56.1 ¶ 33.

[19] As noted above, both Spanellis and Stevens have been deposed in this case. While both deny having had contemporaneous personal knowledge of counterfeiting, their testimony is generally supportive of J&J's claims, particularly insofar as they are able to identify certain entities with which they traded in test strips and to authenticate some of the documents that J&J recovered during its investigation. Moreover, they concede that some of the documents and other evidence they have seen during the course of this litigation is persuasive proof of plaintiffs' allegations, and they do not protest or otherwise maintain that the test strips they sold were in genuine packaging. *See* Spanellis Dep. 30-32, 42-43, 138; Stevens Dep. 12-14, 89-90, 409-10.

instructed Curquejo to look for boxes with different lot numbers and the "freshest possible expiration date." Curquejo Dep. 26-27; *see* J&J 56.1 ¶ 56; Curquejo Dep. 31-33. In order to find the specific products requested, Curquejo travelled outside of Florida, including to New York and Washington, and visited a number of pharmacies. J&J 56.1 ¶ 57; Curquejo Dep. 82-84. Although Curquejo originally received instructions from Stevens, later requests came directly from Spanellis and Swart. J&J 56.1 ¶¶ 49, 51-52, 54-55; Curquejo Dep. 24, 57, 72-76, 109, Exs. 4, 9. Curquejo kept detailed logs identifying the source, expiration date, and lot number of each sample he sent to South Africa. J&J 56.1 ¶ 64; Curquejo Dep. 33, 170-71, Ex. 29. These logs show that, over a two-year period from 2005-2007, Curquejo sent eighty-four sample boxes of OneTouch Ultra test strips in U.S. retail packaging to the counterfeiters. J&J Mem. 26; Curquejo Dep. Ex. 29.[20]

Equipped with the sample boxes that Curquejo had shipped from the United States, Swart hired a professional printer to produce counterfeit packaging. J&J 56.1 ¶ 67. Alfredo Cazzavillan, the owner of Marvic Printing Co. Ltd. ("Marvic"), has submitted an affidavit in which he describes being approached by Swart in early 2004 "for the purposes of printing certain boxes and leaflets" for OneTouch Ultra test strips; Cazzavillan avers that he can "specifically recall printing Ultra 50's and Ultra 100's for Mr. Swart." Cazzavillan Aff. ¶ 4.1.[21] Swart, of course, had no authority or legitimate reason to print boxes or inserts for LifeScan test strips.

According to Cazzavillan, Swart supplied the "positives" and "chromolin" from which

[20] Curquejo also sent samples of two other types of test strips that are not the subject of the instant motion.

[21] Certain defendants object to plaintiffs' reliance on Cazzavillan's affidavit because they contend it lacks the "final certification" of genuineness required by Federal Rule of Evidence 902(3). *See, e.g.*, Green Valley Mem. 7. As plaintiffs point out in their reply, however, defendants have had a reasonable opportunity to investigate the affidavit's authenticity and accuracy, and the affidavit may therefore "be treated as presumptively authentic without final certification." Fed. R. Evid. 902(3)(B).

Marvic made the machine proof and the plates used to print the boxes and paper inserts. Cazzavillan Aff. ¶ 4.2. Cazzavillan's testimony is corroborated by Marvic invoices listing WIH as the buyer on transactions with line item descriptions such as "Machine Proof of One Touch Boxes," "40,000 Ultra inserts" and "40,000 Ultra boxes." Cazzavillan Aff. Exs. C2-C6. [22] The production of counterfeit packaging described by Curquejo and Cazzavillan is further corroborated by the testimony of Johannes Bax, an employee of Stevens and CHI Pharma, discussed in further detail below. Bax Aff. ¶¶ 20, 28, 83; Potter Decl. 6/20/13 Ex. 254.

J&J contends that the costs of producing the counterfeit packaging, as well as the profits earned from the sale of test strips sold in the counterfeit packaging, were shared among Gymtrade, Rowan Tree/Hadida, WIH, and another South African corporation, Marketing and Distribution Solutions ("MDS"). J&J 56.1 ¶ 75. This appears to be supported by internal ledgers that were seized from Rowan Tree. Spanellis Dep. Exs. 18, 45, 55, 57-59.

B. The Source of Gymtrade's Test Strips

MDS was one of Gymtrade's primary suppliers of test strips. J&J 56.1 ¶ 39; Spanellis Dep. 104-05. Little evidence is provided regarding MDS in particular or Gymtrade's other suppliers, except that invoices show and Spanellis confirms that MDS was the supplier of test strips that Gymtrade sold to three companies that are or were defendants in this litigation: Novex, H&H, and National Distribution Corporation ("NDC"). J&J 56.1 ¶¶ 39, 45; Spanellis Dep. 103-

[22] Defendants argue that there is an inconsistency with respect to timing that calls into question the reliability of J&J's account of the counterfeiting scheme. *See* H&H Mem. 25-26; MSI Mem. 14-15; Novex Mem. 9-10, 17-18; Green Valley Mem. 10. Curquejo testified that he began sending samples to South Africa in 2005. Curquejo Dep. 24 ("Q: When did that [buying LifeScan test strips] begin? A: That began in, I am not very sure, I would believe it is in 2005."). Cazzavillan stated in a sworn affidavit that he was approached by Swart in early 2004. Cazzavillan Aff. ¶ 4.1. Given that the dates are so close in time and Curquejo's testimony that "he was not very sure" of the start date, this superficial discrepancy is insufficient to raise a genuine question of material fact. Moreover, as plaintiffs point out in their reply brief, Curquejo was not necessarily the counterfeiters' only source of sample packaging. J&J Reply Mem. 17-19.

05, 282-83, 299-300, 308. When asked during his deposition if the test strips from MDS were in counterfeit packaging, Spanellis acknowledged that, having reviewed the documents produced during the course of this litigation, "it looks that way, yes." Spanellis Dep. 138. Spanellis also stated that Gymtrade sold test strips to H&H that were from CAMS, but provided no further information regarding their origin or counterfeit status. J&J 56.1 ¶¶ 45, 66; Spanellis Dep. 31, 103-05, 136, 138, 388-98.

C. The Source of Rowan Tree's and Eric Stevens' Test Strips

Johannes Bax, an employee of Stevens and the logistics manager for CHI Pharma/Trayll, has submitted an affidavit and supporting documentation detailing how product and money flowed among CHI Pharma/Trayll, Rowan Tree/Hadida, and other entities that were involved in moving the repackaged OneTouch Ultra test strips from abroad to the United States. J&J 56.1 ¶¶ 77, 79-80; Bax Aff. ¶ 2.[23] In addition to providing a 'big picture' overview of the operation, Bax's testimony ties the product from the counterfeiters directly to the Novex Defendants and indirectly to the Cobra and Midwest Defendants through Med-Health Direct, Inc. ("Med-Health") and MC Distributors LLC ("MC Distributors"). Bax Aff. ¶ 34.

Bax states in his affidavit that, when CHI Pharma was an authorized distributor for

[23] Defendants object to the admissibility of the Bax Affidavit on grounds that it is unauthenticated and contains hearsay rather than facts asserted based on personal knowledge. *See, e.g.*, H&H 56.1 ¶¶ 47-48, 72-73. Defendants' objection concerning authentication is addressed by J&J's most recent resubmission of the affidavit, which appears to have been notarized in Amsterdam on June 2, 2013. Potter 6/20/13 Decl. ¶ 8, Ex. 254. Defendants' objection on grounds of hearsay is misplaced given that Bax was CHI Pharma/Trayll's logistics manager and worked for Stevens and CHI Pharma for several years; indeed, at one point, he was one of only four employees. Bax Aff. ¶ 5. Defendants are correct that Bax's affidavit includes some statements that seem to be hearsay or based on speculation and would likely be inadmissible at trial. *See, e.g.*, Bax Aff. ¶¶ 27, 44, 85. However, most of Bax's statements appear to be based upon his own knowledge of the inner workings of the company and its relationships with others involved in the counterfeit packaging, *see, e.g.*, Bax Aff. ¶¶ 33, 59, 76 (describing specific recollection of a telephone call from defendant Dennis Cantor of Novex raising problems with deliveries), and are corroborated at least in part by CHI Pharma business records attached as exhibits, *see, e.g.*, *id.* Exs. JB-24 (purchase order from Novex to CAMS for Ultra 100 test strips) and JB-25 (email from Bax concerning test strips to be repackaged in counterfeit packaging), and thus would likely be held to be admissible at trial.

LifeScan in Ghana from 2003-2006, "significant quantities of the test strips which were destined for the market in Ghana were diverted to other markets." Bax Aff. ¶ 52. These markets included the United States and Europe. Bax Aff. ¶ 11. While Bax was in its employ, CHI Pharma, Stevens' company, would supply large quantities of test strips to Rowan Tree. CHI Pharma would then buy the same strips back and, after they had been re-packaged in counterfeit American packaging, sell them to customers in the United States. Bax Aff. ¶¶ 12, 31. Rowan Tree sold repackaged test strips to Novex, Med-Health and MC Distributors, sometimes through companies known as CAMS or FPG with which Stevens was also associated. Bax. Aff. ¶¶ 17, 26, 34.

Bax explains in his affidavit how the scheme worked and evolved over time. From 2003 until early 2006, CHI Pharma was an authorized distributor of test strips in three African countries, including Ghana. Bax Aff. ¶ 51. After J&J delivered test strips to Ghana, a related Stevens company called First Pharma Ghana Ltd ("FPG") filed a "wrong consignment statement" with customs so that the goods could be re-exported. Bax Aff. ¶ 53. The goods were then sold to CAMS or All Trade Enterprises LLP ("ATE"), companies that

> only had a role on paper and were used . . . to hide from the ultimate customers the origin of the test strips; to create a general lack of transparency in the finances; and (in the case of CAMS) to ensure that the payments to the suppliers and also movements of goods enjoyed the traditional anonymity of the Swiss banking and legal system.

Bax Aff. ¶ 57. CAMS and ATE then sold the goods to Rowan Tree in South Africa. Bax Aff. ¶ 54.

After its agreement with LifeScan was terminated in early 2006, CHI Pharma/Trayll began buying OneTouch test strips from companies in Pakistan and Saudi Arabia. Bax Aff. ¶¶ 64-65; J&J 56.1 ¶ 81. The test strips were then sent along a "southbound route" to Rowan

Tree/Hadida in South Africa, where they were repackaged in counterfeit packaging. ATE was used as an intermediary on the southbound route to South Africa; FPG acted as an intermediary when the test strips were returned to CHI Pharma/Trayll along the "northbound route." Bax Aff. ¶¶ 17, 31, 57, 71; J&J 56.1 ¶¶ 80, 88. CHI-Pharma/Trayll sold the counterfeit-packaged test strips to Med-Health, which imported them into the United States. Bax Aff. ¶¶ 69-71; Stevens Dep. 263, 476. Because Stevens had an informal exclusivity agreement with Med-Health, sales to Novex were made using CAMS as an intermediary. Bax Aff. ¶ 76; Stevens Dep. 14-15, 44. Bax summarizes the operation as follows:

> The net effect was that goods were travelling from CHI Pharma B. V. via ATE to the South Africans and back again from the South Africans via FPG to CHI Pharma B. V. or via CAMS to Novex. . . . [T]he southbound goods were essentially the same as the northbound goods, the only difference being that they had been repackaged in counterfeit packaging.

Bax Aff. ¶¶ 91-92.

D. Authenticity of Product from the Source Companies

The facts recounted above provide compelling support for plaintiffs' contention that, during the relevant time period, all of the strips that can be traced to Gymtrade, Rowan Tree/Hadida, CHI Pharma, or CAMS were repackaged in counterfeit packaging. Defendants suggest, without any support whatsoever, that some of the strips sold by these entities may have been genuine; plaintiffs assert, though, essentially without contradiction, that these source companies were not authorized to distribute OneTouch test strips in US-retail packaging. J&J. 56.1 ¶ 360.[24] J&J further represents that it sells product in US-retail packaging only to "authorized distributors and direct customers" that are all located in the United States, with two

[24] Defendants do not agree with the cited 56.1 paragraph, but neither do they raise a meaningful objection to it.

exceptions that are too small in scale to account for the volume of counterfeits discovered by plaintiffs. J&J 56.1 ¶ 6.[25] Defendants seek to dispute this fact based on the deposition testimony of parties that claim to have obtained purported U.S. retail packaged product from unauthorized sources; however, no evidence is offered to demonstrate that these goods were not also counterfeit. *See, e.g.*, H&H 56.1 ¶ 6. Moreover, the H&H Defendants repeatedly requested from at least one of the counterfeiters "documentation, some pedigree, some proof" as to the authenticity of the product they had purchased, but it was never produced. *See* discussion beginning *infra* p. 40. Finally, defendants have failed to produce any evidence that any product they obtained from Gymtrade, Rowan Tree/Hadida, CHI Pharma, or CAMS was genuine, whereas plaintiffs' expert has testified that all of the test strips seized from the possession of certain defendants or their suppliers that were purchased from Gymtrade, Rowan Tree/Hadida, CHI Pharma, or CAMS were counterfeit.

Defendants also challenge plaintiffs' showing by arguing that Bax, Curquejo, Cazzavillan, Spanellis and Stevens – and even Maguire – are biased, interested witnesses whose testimony is insufficiently credible to support summary judgment. More specifically, defendants argue that Maguire's testimony is not credible because she is an employee of LifeScan, and that the testimony of the others should be questioned because they are either former defendants who have settled with plaintiffs on favorable terms in return for cooperation or are seeking to avoid their own liability. *See* Novex 56.1 (general objections); Novex Mem. 9-10, 19-20, 21; Green Valley Mem. 5-6; MSI 56.1 (general objections); MSI Mem. 16-17; H&H Mem. 5, 30.

[25] Small quantities were sold to authorized distributors and direct customers in the Caribbean and U.S. military bases abroad. J&J 56.1 ¶ 6; *see* Novex Mem. 6.

In support of this argument, defendants cite to *Nike, Inc. v. Au*, 2012 WL 928311 (E.D.N.Y. Mar. 19, 2012), in which summary judgment was denied in part based upon defendant's challenge to the credibility of plaintiff's witnesses; the Court concluded that "[a] juror might conceivably conclude that these witnesses and former defendants were testifying against [defendant] to avoid their own liability." *Id.* at *3. *Nike* is distinguishable because the only evidence of defendant's involvement in that case was the self-serving statements of two admitted co-conspirators, whereas J&J's motion is also supported by multiple seizures of counterfeit products and a large number of corroborating documents. Moreover, *Nike* does not, as defendants suggest, stand for the proposition that a party may not obtain summary judgment based upon its own testimony simply because the party is, by definition, an interested witness, nor does it reject the general principle that even persons with an interest in the outcome of a litigation are competent to testify. *See* Fed. R. Evid. 601. While a relationship between a witness and a party might provide a basis for an argument at trial concerning the credibility or weight of certain testimony, it does not render the testimony inadmissible.

Defendants' argument is further weakened by the fact that they participated in the depositions of Curquejo and Stevens and had the opportunity to participate in the deposition of Spanellis and to take the deposition of Bax. Finally, *Nike* appears to be limited to its unique facts; it does not cite a single precedent in which summary judgment was denied on similar grounds, and has never itself been cited by another court. Accordingly, and especially in the context of the facts of this case, nothing in *Nike* alters the well-settled principle that a party opposing summary judgment must do more than merely make "[b]road, conclusory attacks on the credibility of [the] witness[es]" presented by the movant. *Island Software and Computer Service, Inc. v. Microsoft Corp.*, 413 F.3d 257, 261 (2d Cir. 2005); *see also Louis Vuitton*

Malletier S.A. v. LY USA, Inc., 472 Fed. App'x 19, 22 (2d Cir. 2012) (same); *Vantage Point, Inc. v. Parker Bros., Inc.*, 529 F. Supp. 1204, 1213 (E.D.N.Y. 1981) (reasoning that a party may not defeat a motion for summary judgment "on the hope that a fact finder will disbelieve the persons who have submitted affidavits").

For all the reasons stated above, I conclude that plaintiffs have established for purposes of their pending motion that all purported U.S. retail product originating from Gymtrade, Rowan Tree/Hadida, CHI Pharma, or CAMS, was counterfeit. I now consider the liability of the various defendants with that conclusion in mind.

DISCUSSION

Plaintiffs allege that defendants purchased OneTouch Ultra test strips that were not intended for the U.S. retail market but were repackaged in counterfeit U.S. retail packaging and sold to U.S. importers by one or more of the source companies discussed above. Because plaintiffs' trademarks appeared on the counterfeit packaging, plaintiffs allege that defendants used the OneTouch Marks in commerce, without consent, and in a way that was likely to cause confusion as to the origin of the product and also dilute the strength of the marks themselves. J&J brings federal claims for trademark infringement, false designation of origin or description, false advertising, and trademark dilution under the Lanham Act, 15 U.S.C. §§ 1114, 1125. Compl. ¶¶ 651-62. J&J also alleges that defendants violated New York statutory prohibitions against trademark dilution and deceptive business practices, N.Y. Gen. Bus. §§ 360-*l*, 349, and asserts common law claims for unfair competition and unjust enrichment as well. *Id.* ¶¶ 663-71. J&J moves for summary judgment against all defendants on all claims except willful infringement under the Lanham Act and common law unfair competition, which they seek only against the H&H Defendants.

I first consider the liability of the appearing defendants for trademark infringement. I give the remaining claims asserted by plaintiffs against these defendants relatively less attention, and do not even reach some, because their elements or the remedies they afford are duplicative of plaintiffs' primary claims of trademark infringement. I separately analyze plaintiffs' claims against the H&H Defendants for injunctive relief and enhanced statutory damages for willful infringement, and turn finally to plaintiffs' claims against the defendants who are in default.

I. Standard for Summary Judgment

To obtain summary judgment, a moving party must show that "there is no genuine dispute as to any material fact" and that "it is entitled to judgment as a matter of law." Fed. R. Civ. P. 56. When evaluating the motion, the evidence presented must be viewed in the light most favorable to the party opposing summary judgment, and all inferences must be drawn in that party's favor. *See Giannullo v. City of New York*, 322 F.3d 139, 140-41 (2d Cir. 2003) (citing *Adickes v. S.H. Kress & Co.*, 398 U.S. 144, 157 (1970)); *Maharishi Hardy Blechman Ltd. v. Abercrombie and Fitch Co.*, 292 F. Supp. 2d 535, 540 (S.D.N.Y. 2003); *see also Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 255 (1986). Simply put, summary judgment may be granted only if there is no genuine factual dispute; it must be denied "if the dispute about a material fact is 'genuine,' that is, if the evidence is such that a reasonable jury could return a verdict for the nonmoving party." *Anderson*, 477 U.S. at 248. Accordingly, to defeat a motion for summary judgment, the non-moving party "must do more than simply show that there is some metaphysical doubt as to the material facts." *Maharishi Hardy*, 292 F. Supp. 2d at 540 (quoting *Matsushita Elec. Indus. Co., Ltd. v. Zenith Radio Corp.*, 475 U.S. 574, 586 (1986) (internal citations omitted). The party opposing summary judgment "may not rely on mere conclusory allegations nor speculation, but instead must offer some hard evidence showing that its version

of the events is not wholly fanciful." *Maharishi Hardy*, 292 F. Supp. 2d at 540 (quoting *D'Amico v. City of New York*, 132 F.3d 145, 149 (2d Cir. 1998)).

II. Liability of the Appearing Defendants

A. Trademark Infringement

Section 32 of the Lanham Act prohibits, when done without consent of the trademark registrant and in a manner that is "likely to cause confusion, or to cause mistake, or to deceive," either "use in commerce" of "any reproduction, counterfeit, copy, or colorable imitation of a registered mark," or actual reproduction or counterfeiting of the registered mark. 15 U.S.C. § 1114(1) (2013). To prevail on a claim of trademark infringement, "plaintiffs need only show that they own a valid trademark and that the defendants' use of the trademark is likely to cause confusion regarding the source of the product." *Tanning Research Labs., Inc. v. Worldwide Imp. & Exp. Corp.*, 803 F. Supp. 606, 608-09 (E.D.N.Y. 1992); *see also Procter & Gamble Co. v. Quality King Distributors, Inc.*, 123 F. Supp. 2d 108, 113 (E.D.N.Y. 2000) (holding that "the plaintiff must prove: (1) that it owns a valid, protectable trademark; (2) that the defendants used the registrant's trademark in commerce and without consent; and (3) that there was a likelihood of consumer confusion").

It is well-settled that trademark infringement is a strict liability offense, and that good faith is insufficient to avoid liability. *Sunward Electronics, Inc. v. McDonald*, 362 F.3d 17, 25 (2d Cir. 2004); *Koon Chun Hing Kee Soy & Sauce Factory, Ltd. v. Star Mark Management, Inc.*, 2007 WL 74304, at *8 (E.D.N.Y. Jan. 8, 2007). Because trademark infringement gives rise to strict liability, plaintiffs are not required to prove that defendants intended to conduct transactions involving counterfeit goods, or even that they knew or should have known that the goods they bought or sold were counterfeit.

J&J has clearly established the first element of trademark infringement by providing copies of the registrations of the marks in issue with the U.S. Patent and Trademark Office. Albiani 9/21/12 Decl. Ex. 1.[26] Neither the existence of the registered marks nor their ownership by J&J is seriously disputed by defendants. J&J 56.1 ¶ 1.

However, defendants argue that at least some of the marks sued upon could not be counterfeit with respect to test strips because plaintiffs registered them only for blood monitoring devices and because the definition of counterfeiting in the relevant statute, 15 U.S.C. § 1116(d)(1), limits protection against counterfeits to use of a mark in connection with the same goods or services for which the mark is registered. *See, e.g.*, MSI Mem. 22. I do not understand the language of the statute to limit the scope of counterfeiting as defendants argue, and defendants cite no case law imposing such a narrow definition. Moreover, using the marks on the very test strips designed for use with the blood monitoring devices would seem to be use "in connection with" the goods for which the marks are registered.

Defendants also dispute plaintiffs' contention that they in fact used any of J&J's marks or that any such use, if it occurred, caused consumers to be confused. Accordingly, I discuss below whether J&J has established a likelihood of consumer confusion and whether there is evidence that each defendant has used J&J's trademarks in commerce without consent.

1. Likelihood of Consumer Confusion

Generally, courts assess likelihood of consumer confusion by considering the factors established in *Polaroid Corp. v. Polarad Elecs. Corp.*, 287 F.2d 492, 495 (2d Cir. 1961):

(1) strength of the plaintiffs' mark;

[26] The validity of the marks and their ownership by J&J are also independently verifiable through an easily searchable database that is publicly accessible on the website of the U.S. Patent and Trademark Office. Trademark Electronic Search System (TESS), http://tess2.uspto.gov (last visited March 4, 2014).

> (2) degree of similarity between the two marks;
> (3) proximity of the products in the marketplace;
> (4) likelihood that the plaintiff will enter a market related to that in which the defendant sells its product;
> (5) evidence of actual confusion;
> (6) defendant's bad faith;
> (7) quality of the defendant's product; and
> (8) sophistication of the relevant consumer group.

Guishan, Inc. v. Scooby Scraps, Inc., 2008 WL 4276579, at *2 (E.D.N.Y. Sept. 16, 2008). Defendants argue that likelihood of confusion has not been sufficiently established because plaintiffs have failed to provide survey evidence of the sort that is commonly relied upon in cases of trademark infringement. *See, e.g.*, H&H 56.1 ¶ 3; Cobra 56.1 ¶ 3; Green Valley 56.1 ¶ 3 ("Normally, source identification is established by survey and expert reports."); *see also* H&H Mem. 34-38; Green Valley Mem. 14-18; MSI Mem. 21-22; Novex Mem. 29-30. In a case of counterfeiting, however, a court need not undertake an exhaustive analysis of the *Polaroid* factors,

> because counterfeits by their very nature cause confusion. Indeed, confusing the customer is the whole purpose of creating counterfeit goods. Thus, the Court need only determine the more fundamental question of whether there are items to be confused in the first place – that is, whether the items at issue here are, in fact, counterfeit and whether Defendants sold those items.

Gucci Am., Inc. v. Duty Free Apparel, Ltd., 286 F. Supp. 2d 284, 287 (S.D.N.Y. 2003) (internal citation omitted); *see also Lorillard Tobacco Co. v. Jamelis Grocery, Inc.*, 378 F. Supp. 2d 448, 455 (S.D.N.Y. 2005).

Here, plaintiffs allege that only the packaging was counterfeit; the test strips inside the packages were apparently genuine. This fact, however, does not preclude a finding of infringement. When genuine goods are resold in their "*original* form," a reseller may use the trademarks in advertising in order to provide the customer with accurate information as to the source of the product. However, and of relevance here,

> once the original package is broken and the quality of the contents depends on the repacker's handling thereof, the law's policy in favor of accurate marking arguably supports disparate outcomes. On one hand, the reseller has the right to provide, and the customer to receive, accurate information stating that the goods began with the mark-holder. On the other hand, use of the mark-holder's indicia of origin may inaccurately create the impression that the mark-holder alone is responsible for the quality of the goods as repackaged. Creation of such a misimpression may render the repacker liable for infringement.

4 Callmann on Unfair Competition, Trademarks and Monopolies § 22:48 (4th Ed.) (emphasis in original) (citing *Eastman Kodak Co. v. Photaz Imports Ltd., Inc.*, 853 F. Supp. 667 (W.D.N.Y. 1993), *aff'd*, 28 F.3d 102 (2d Cir. 1994)).

In the Second Circuit, "[a]s a general rule, trademark law does not reach the sale of genuine goods bearing a true mark even though the sale is not authorized by the mark owner. Thus, a distributor who resells trademarked goods *without change* is not liable for trademark infringement." *Polymer Tech. Corp. v. Mimran*, 975 F.2d 58, 62 (2d Cir. 1992) (emphasis added; internal citations omitted). Trademarked goods may even be repackaged as long as the repackaging "does not deceive the public or damage the mark owner's goodwill." *Id.* (citing *Prestonettes, Inc., v. Coty*, 264 U.S. 359 (1924)). However, when the repackaging *does* affect the quality or utility of a product, it is actionable. For example, in *Eastman Kodak*, 853 F. Supp. 667, the district court held, and the Second Circuit affirmed, that a film distribution company had infringed upon the Kodak trademark when it removed Kodak-manufactured film from its original factory box and repackaged multiples together in "Value Packs" with altered expiration dates. *Id.* at 671.

The Second Circuit has elsewhere identified the repackaging process as a factor that cuts in favor of a finding of infringement. In *El Greco Leather Products Co., Inc. v. Shoe World, Inc.*, 806 F.2d 392 (2d Cir. 1986), goods ordered by a name brand distributor were left over with the manufacturer after the order was cancelled. The manufacturer then distributed the goods,

bearing the name brand, without authorization. The Second Circuit held that the goods were not genuine for the purposes of trademark infringement analysis, although they were no different from the products sold by the distributor. The Court stressed that

> [o]ne of the most valuable and important protections afforded by the Lanham Act is the right to control the quality of the goods manufactured and sold under the holder's trademark. For this purpose the actual quality of the goods is irrelevant; it is the control of quality that a trademark holder is entitled to maintain.

806 F.2d at 395. In a partial dissent, Judge Altimari disagreed with the conclusion that the goods were not genuine, but only after concluding that, unlike in this case, the goods at issue "were not altered, reconditioned, repackaged, or resold." *Id.* at 398.

At least one court in this District has also noted that repackaging can create a likelihood of confusion as to the source of a trademarked product. In *Monsanto Co. v. Haskel Trading, Inc.*, 13 F. Supp. 2d 349 (E.D.N.Y. 1998), it was alleged that defendants purchased Equal artificial sweetener in "institutional cartons," each containing 2000 individual packets, and divided these up into smaller boxes that resembled plaintiffs' own original retail boxes, each containing only 50-100 individual packets, *id.* at 352. Defendants were able to profit by reselling the smaller boxes at a higher per-unit price point than the institutional cartons. *Id.* Although the sweetener itself was genuine, the court found that defendants' repackaging created a likelihood of confusion as to source at least in part because the retail boxes served important functions, such as protecting the contents from contamination and displaying a "Lot Code" that facilitated product tracking in the event of a recall. *Id.* at 357. Although summary judgment on trademark infringement was ultimately denied, the court noted that "plaintiffs' retail and institutional boxes are an integral part of the 'product' which they distribute," and found "as a matter of law that, by distributing the Equal product in boxes which they constructed but which bear the plaintiffs' trademark and do not mention their role as repackagers, the defendants created a likelihood of

confusion as to the source of those boxes." *Id.* at 357-59.

These precedents make it clear that the repackaged test strips at issue in this case are counterfeits, and that the *Polaroid* factors need not be considered before concluding that consumers were likely confused. Even if the presumption applicable to counterfeit goods did not apply, a more searching analysis of the *Polaroid* factors would still lead to a finding of likely consumer confusion. Johnson & Johnson is essentially a household name in the United States, and it is undisputed that OneTouch test strips are the leading variety of test strips on the market. The strength of the OneTouch Marks or the quality of the underlying products cannot reasonably be called into question. Neither can defendants reasonably dispute the similarity of the genuine and counterfeit marks; when compared side-by-side, they are almost indistinguishable. *See* Potter 3/18/13 Decl. Ex. 234. The test strips at issue were imported into the United States, so marketplace proximity is clearly established. Finally, as discussed above, the information about the lot number of the strips, the control solution range, and the calibration code – all accurate on genuine packaging but generally not accurate on the counterfeit packages at issue in this case – are important to obtaining correct blood glucose levels when the test strips are used. Application of the *Polaroid* test would thus support a finding of likelihood of consumer confusion even if the presumption of confusion that pertains to counterfeits did not apply.

2. Use in Commerce Without Consent

Plaintiffs contend that each of the defendants used repackaged test strips in commerce. The relevant statute provides that "a mark shall be deemed to be in use in commerce . . . on goods when . . . it is placed in any manner on the goods or their containers . . . and . . . the goods are sold or transported in commerce." 15 U.S.C. § 1127 (2013). Plaintiffs demonstrate defendants' involvement in the transportation and sale of counterfeit goods largely through

detailed records maintained by Novex and produced in discovery in this case. Some defendants argue that they may not be held liable because they were not sellers or transporters, but rather brokers or intermediaries. As discussed in detail below, the Novex records, and in some cases similar documents involving other distributors, as well as extensive corroborating witness testimony, demonstrate that each appearing defendant used OneTouch test strips in counterfeit packaging in commerce.

3. Individual Liability of Principals

Plaintiffs seek summary judgment against the principals of each of the corporate defendants. "It is well established in the Second Circuit that under the Lanham Act, a corporate officer may be held personally liable for trademark infringement and unfair competition if the officer is a moving, active, conscious, force behind the defendant corporation's infringement." *Chloe v. Queen Bee of Beverly Hills, LLC*, 2011 WL 3678802, at *4 (S.D.N.Y. Aug. 19, 2011) (internal citations and quotation marks and brackets omitted). Moreover, "if a corporate officer was either the sole shareholder and employee, and therefore must have approved of the infringing act, or a direct participant in the infringing activity, the officer is a moving, active, conscious, force behind the corporation's infringement." *Id.* at *5. The liability of particular defendants who are principals of corporations is discussed in the section below.

B. Defendant-by-Defendant Analysis of Liability for Trademark Infringement

1. Novex

Novex, a California corporation, is a distributor of medical supplies that buys and sells various products including, at the times relevant to this lawsuit, LifeScan OneTouch Ultra test strips. J&J 56.1 ¶¶ 217-18. Dennis Cantor, the CEO and sole principal of Novex, was also the only Novex employee who negotiated the purchase or sale of OneTouch Ultra test strips. J&J

56.1 ¶¶ 220-21. The Novex Defendants do not dispute Cantor's role as an active and controlling force in the company or that he negotiated the purchase and sale of test strips.[27]

Novex receives and sends products from a warehouse in Miami, Florida operated by M&M Consultants Inc. J&J 56.1 ¶ 226. In April 2008, J&J recovered more than 8,000 boxes of OneTouch Ultra test strips stored by Novex in this warehouse that were subsequently determined to be counterfeit. J&J 56.1 ¶ 25. These seizures are themselves essentially undisputed evidence that Novex and other defendants who did business with Novex purchased and sold counterfeit test strips. The seizures, considered in conjunction with Novex's business records identifying the source of the counterfeit test strips, also corroborate witnesses such as Bax, Curquejo and Cazzavillan, whose testimony, as well as corroborating documentary evidence, has already led me to conclude that all of the test strips sold by Gymtrade, Rowan Tree, CHI Pharma and CAMS that purported to be in genuine U.S. retail packaging during the time relevant to this lawsuit were in fact counterfeit.

Plaintiffs seek summary judgment against Novex with respect to 116,736 boxes of repackaged test strips. Novex kept detailed records of its purchases and sales that tracked products from their source (i.e., the company from which Novex acquired the product) to their ultimate destination (i.e., the company to which Novex sold the product) using transaction numbers and tracking codes. J&J 56.1 ¶ 229. For example, transactions in which Novex purchased test strips from CAMS were coded with "N1" for Novex and "C11" for CAMS, notations which were confirmed by Cantor in his deposition testimony. *See* Deposition of

[27] In his general objections to J&J's 56.1 statement, however, "Cantor expressly denies every allegation made by Plaintiffs which alleges that Cantor, in his individual capacity, engaged in any of the accused acts," which the Novex Defendants claim were "performed through the corporate entity Novex in the ordinary course of Novex's business." Novex 56.1 (general objections).

Dennis Cantor 219-20, 609 ("Cantor Dep."), Potter 9/24/12 Ex. 16; Cantor Dep. Ex. 20 (Cantor's list of client codes). As detailed in plaintiffs' moving brief, these codes appear throughout Novex' business records, including on invoices that Novex received for its purchases of test strips, bank records confirming wire transfers through which Novex paid its suppliers, packing lists that identify OneTouch Ultra test strips sold and shipped by Novex to its customers, and file folders containing additional sets of Novex records. *See* J&J 56.1 ¶¶ 229, 379; J&J Mem. 37-42. Novex's business records clearly reflect its purchases from Gymtrade, Rowan Tree and CAMS from April 2005 through March 2008 and its sales to its customers of the test strips it acquired from these sources.

Based upon its review of these Novex records, plaintiffs calculate that Novex purchased and sold 116,736 infringing packages of test strips.[28] Plaintiffs identify each of the transactions comprising this total, supported by references to the specific Novex documents reflecting each transaction and the testimony of Dennis Cantor, Novex's principal, authenticating those documents. J&J 56.1 ¶¶ 232-89; *see id.* ¶ 289 (chart summarizing these transactions); J&J Reply Mem. 46. Although defendants Novex and Cantor raise vague challenges to the facts set forth in the cited paragraphs of plaintiffs' Rule 56.1 statement, the documents cited by plaintiffs support their assertions. For example, plaintiffs allege that, on or about April 25, 2005, Novex purchased 7,680 boxes of test strips from Gymtrade, and they point to an invoice, apparently signed by Cantor, reflecting this purchase. J&J 56.1 ¶ 232, Cantor Dep. Ex. 36, at NOV013117. Plaintiffs have also submitted a Novex invoice and packing list reflecting the sale of these same test strips to defendant Midwest. Cantor Dep. Ex. 36, at NOV013105-06. Cantor authenticated these

[28] Plaintiffs' 56.1 statement provides subtotals of Novex purchases as follows: 79,704 50-count boxes and 37,056 100-count boxes. J&J 56.1 ¶ 289 (chart). The Court notes that although this totals 116,760 boxes, plaintiffs seek liability for only 116,736 boxes, *see* J&J Mem. 5; J&J Reply Mem. 46.

invoices as Novex business records and confirmed in his deposition testimony that they reflect a purchase of test strips from Gymtrade and a sale of those same test strips to Midwest. Cantor Dep. 392, 404. A second purchase on May 18, 2005 is demonstrated by a similar invoice, Cantor Dep. Ex. 37, at NOV013156, drawn from a file authenticated by Cantor during his deposition and described by him as reflecting the purchase of strips from Gymtrade described in the invoice, Cantor Dep. 415-16. *See* J&J 56.1 ¶ 233. Novex's sale of these strips is likewise reflected in a Novex invoice and packing list, Cantor Dep. Ex. 37, at NOV013142-43, and the sale of the strips was confirmed by Cantor at his deposition, Cantor Dep. 418. The remaining transactions described by plaintiffs in their Rule 56.1 statement are supported by similar documents and testimony.

Novex and Cantor do not point to any evidence contradicting the testimony and business records described above. These defendants do, however, raise a variety of issues with respect to the number of boxes seized by plaintiffs, their attribution to Novex, and the determination of whether the seized boxes were repackaged. Novex 56.1 Add'l ¶¶ 41-86. Plaintiffs, however, seek to impose liability upon Novex and Cantor for the number of boxes purchased from the counterfeiters *that are reflected in Novex's own records*. Accordingly, I conclude that plaintiffs are entitled to summary judgment on their trademark infringement claim against Novex and Cantor for having acquired and sold 116,736 counterfeit boxes of test strips.

2. Green Valley

The Novex tracking system also demonstrates the liability of the Green Valley Defendants. Green Valley is a distributor of medical supplies, including OneTouch Ultra test strips, and is based in Henderson, Nevada. J&J 56.1 ¶¶ 291-92. Its owner and sole employee during the relevant time period was Randy Crowell. J&J 56.1 ¶ 293. The Green Valley

Defendants do not dispute Crowell's sole ownership of the company or that he was its only employee at all times relevant to this lawsuit.

The Novex records document two transactions through which Green Valley purchased a total of 5,376 50-count boxes of OneTouch Ultra test strips from Novex. The Novex records also identify Rowan Tree as the source of these boxes. *See* J&J 56.1 ¶¶ 243, 254, 256, 297, 299.

The first transaction is reflected in an invoice dated December 27, 2005, showing that Green Valley purchased 3,000 50-count boxes with instructions to "blind-ship" the boxes to defendant Midwest. Cantor Dep. Ex. 18, at NOV019509. A purchase order of the same date was issued by Green Valley to Novex, also for 3,000 50-count boxes. Cantor Dep. Ex. 18, at NOV019510. Both Cantor and Crowell confirmed the transaction in their deposition testimony, and Cantor further explained that to "blind-ship" is to make a shipment appear as if it was sent by one entity when in fact it was sent by another; here, Green Valley asked Novex to ship the test strips it purchased directly to Midwest but to make it appear as if the strips had been shipped instead by Green Valley. Cantor Dep. 184-85; Deposition of Randy Crowell 79-80 ("Crowell Dep."), Potter 9/24/12 Decl. Ex. 21. Also in the Novex records is an invoice from Rowan Tree, dated November 29, 2005, for 8,400 50-count boxes. Cantor Dep. Ex. 18, at NOV019537. During his deposition, Cantor interpreted a page of his own handwritten notes, taken from the same file that contained the Green Valley and Rowan Tree invoices, as indicating that the 3,000 boxes sold to Green Valley were from the November 29, 2005 Rowan Tree shipment. Cantor

Dep. 188-89; Cantor Dep. Ex. 18, at NOV019499.[29] Green Valley has not presented any evidence to the contrary.

The second transaction is reflected in an invoice dated February 2, 2006, showing that Green Valley purchased 2,376 50-count boxes from Novex, again with instructions to "blind-ship" the boxes to Midwest. Cantor Dep. Ex. 17, at NOV019320. A purchase order of the same date was issued by Green Valley to Novex, also for 2,376 50-count boxes. Cantor Dep. Ex. 17, at NOV019321. Consistent with Cantor's explanation of the "blind-ship" process, there is also a packing list for the "blind-ship" to Midwest that lists only Green Valley as the sender and makes no reference whatsoever to Novex. Cantor Dep. Ex. 17, at NOV019322. Also in the Novex records is an invoice from Rowan Tree, dated December 8, 2005, for 11,832 50-count boxes, which includes the banking details for Novex's prepayment, as well as the corresponding purchase order from Novex. Cantor Dep. Ex. 17, at NOV019358-59. During his deposition, Cantor interpreted a page of his own handwritten notes, taken from the same file that contained the Green Valley and Rowan Tree invoices, as indicating that the 2,376 boxes sold to Green Valley were from the December 8, 2005 Rowan Tree shipment. Cantor Dep. 177-80. Again, Green Valley has not presented any contrary evidence.

Neither the Novex nor the Green Valley Defendants dispute that these transactions took place; indeed, the Green Valley Defendants acknowledge that they did. *See* Green Valley Mem. 1. It appears that defendants' only colorable argument in opposition to plaintiffs' summary judgment motion is that J&J has not sufficiently established that the test strips were in counterfeit packaging. *See* Novex Mem. 17-28; Green Valley Mem. 8-13. As discussed above,

[29] According to Cantor, 144 boxes were carried over from a previous shipment from an unnamed supplier, but these boxes did not go to Green Valley and can be traced to another Novex customer that is not the subject of the pending motion. Cantor Dep. 189-91; *see* Cantor Dep. Ex. 18, at NOV019520 (showing shipment to QK Healthcare Inc.).

however, the evidence presented by plaintiffs – from the testimony of Bax, Curquejo and Cazavillan about the counterfeiting conspiracy, to Maguire's testimony about her examination of the seized counterfeit packages – establishes, without genuine dispute of material fact, exactly that. Accordingly, I conclude that plaintiffs are entitled to summary judgment on their trademark infringement claim against Green Valley and Crowell for 5,376 50-count counterfeit boxes of OneTouch Ultra test strips.

3. MSI and Cobra

a. Transactions Involving Counterfeit Boxes

Plaintiffs allege that the MSI and Cobra Defendants purchased and then resold counterfeit-packaged OneTouch Ultra test strips to their customers. *See* J&J 56.1 ¶¶ 175-215, 323-49. As they did with Novex, plaintiffs establish the liability of these defendants with testimony and documents demonstrating that they purchased and sold test strips that were originally acquired from Gymtrade, Rowan Tree or CHI Pharma. [30]

MSI is a New York corporation, and during the relevant time period, its principal and only shareholder was Michael Barba. J&J 56.1 ¶ 175, 177-79. Plaintiffs seek judgments against Barba and MSI based upon MSI's purchase of 71,520 50-count and 19,354 100-count boxes of counterfeit-packaged OneTouch Ultra test strips from National Distribution Corporation between July of 2005 and December of 2006. Evidence of MSI's liability is based on records that were seized from NDC, as well as the statements of Carlos Hernandez, NDC's principal. J&J 56.1 ¶¶ 196-215; *see id.* 215 (chart summarizing these transactions). Hernandez, in a declaration in

[30] The MSI and Cobra Defendants join in other defendants' arguments that J&J has not sufficiently established the counterfeit status of the test strips themselves or, more specifically, that all OneTouch Ultra test strips emanating from Gymtrade or Rowan Tree are necessarily counterfeit. *See* MSI Mem. 6-8, 14-17, 19-20; Cobra Mem. 10-12. I reject those arguments for the reasons already stated in the text above.

support of plaintiffs' motion, states that NDC purchased OneTouch Ultra test strips from Gymtrade and Rowan Tree between April 2005 and December 2006 "in what appeared to be U.S. retail packaging." Declaration of Carlos M. Hernandez ¶¶ 2-3 ("Hernandez Decl."), Docket Entry 746-17. NDC sold the test strips it acquired from Gymtrade and Rowan Tree to MSI. Hernandez Decl. ¶ 4.

Hernandez's statements are corroborated by documents attached as exhibits to his declaration and described by him as business records of NDC. These documents reflect a series of transactions, including purchase orders that NDC issued to Gymtrade and Rowan Tree, shipping documents or waybills, invoices from NDC to MSI, as well as email communications and bank transfers between these entities. Hernandez Decl. ¶¶ 6-7, 9-22, Exs. A-Q. These documents, summarized in a chart set forth in plaintiffs' Rule 56.1 statement ¶ 215, reflect sales of 71,520 50-count and 19,354 100-count boxes of test strips, and clearly show that each sale by NDC to MSI was preceded by a recent purchase by NDC from Gymtrade or Rowan Tree.

For example, on July 11, 2005, NDC invoiced MSI for 6,432 50-count boxes of OneTouch Ultra test strips. Hernandez Decl. Ex. C, at 136301521. Just twelve days prior, on June 29, 2005, NDC issued a purchase order to Gymtrade for the same quantity of 50-count boxes. Hernandez Decl. Ex. D, at 136301524. Similarly, on August 25, 2005, NDC invoiced MSI for 7,656 50-count boxes of OneTouch Ultra test strips with three specific expiration dates listed. Hernandez Decl. Ex. C, at 136301579. Just eight days prior, on August 17, 2005, NDC issued Gymtrade a purchase order for the same quantity of 50-count boxes with the same set of expiration dates. Hernandez Decl. Ex. E, at 136301582. As a final example, on December 12, 2005, NDC invoiced MSI for 11,232 50-count boxes with an expiration date of March 2007. Hernandez Decl. Ex. C, at 136301703. Just five days earlier, on December 7, 2005, NDC issued

Rowan Tree a purchase order for the same quantity of 50-count boxes with similar expiration dates, "02/2007 and 03/2007 or better." Hernandez Decl. Ex. I, at 136301709.[31] Plaintiffs have thus established that MSI purchased 71,250 50-count and 19,354 100-count repackaged counterfeit boxes of test strips.

Defendant Cobra is run by its owner and sole employee, Herbert Dunayer, out of his house in Florida. Affidavit of Herbert Dunayer, ¶¶ 1-2, Ferri Decl. Ex. C ("Dunayer Aff."). Dunayer's role as an active and controlling force in the company is undisputed. [32] Plaintiffs seek to impose liability on the Cobra Defendants as a result of Cobra's purchase of OneTouch Ultra test strips from two suppliers, MC Distributors and Med-Health, that purchased strips from CHI Pharma and Rowan Tree, respectively. J&J Mem. 86. However, because plaintiffs concede that both MC Distributors and Med-Health also obtained test strips from sources other than CHI Pharma, Gymtrade and Rowan Tree, they seek summary judgment only with respect to 456 100-count boxes acquired by Cobra from MC Distributors and an unspecified number of boxes purchased from Med-Health. J&J Reply Mem. 59-61.

Plaintiffs base their claim against the Cobra Defendants upon certain business records of MC Distributors that indicate that MC sold 456 100-count boxes of OneTouch Ultra test strips from lot #2640264 to Cobra on August 18, 2006. Potter 3/18/13 Decl. Ex. 252, at

[31] The MSI Defendants contend that the invoices referenced in the text should not be considered because they have not been authenticated or established to be business records and are thus inadmissible hearsay. However, in his declaration, Hernandez clearly and unambiguously describes the invoices as true and correct copies of documents created by NDC in the ordinary course of its business at or about the time of the transactions the documents reflect. *See, e.g.*, Hernandez Decl. ¶ 8 (Hernandez's statement that he created the invoices from NDC to MSI "at or near the time NDC transacted with MSI" as part of "NDC's regular practice when engaging in such transactions" and that the "documents were kept in the course of NDC's regularly conducted activities").

[32] The Cobra Defendants do, however, note in their general objections to J&J's 56.1 statement that "Dunayer expressly denies every allegation made by Plaintiffs which alleges that Dunayer, in his individual capacity, engaged in any of the accused acts," which it maintains were "performed through the corporate entity Cobra in the ordinary operation of Cobra's business." Cobra 56.1 (general objections).

MCDR076489; *see* Potter 3/18/13 Decl. Ex. 250, at MCDR076284 (identifying the reference to COB001 in MCDR076489 as a reference to Cobra). Although MC Distributors acquired test strips from multiple suppliers, only Rowan Tree provided test strips with a lot number matching the boxes that were sold to Cobra at or about the time of that sale. Potter 3/18/13 Decl. Ex. 249, at MCDR076130 (list of incoming shipments that includes the first and only appearance of lot #2640264, designated as "F2640264," before the August 18, 2006 sale to Cobra, and indicating Rowan Tree as the vendor of the lot). The Cobra Defendants' liability for 456 100-count boxes from MC Distributors is thus established.

In support of their claim that Cobra also purchased at least some infringing boxes of test strips from Med-Health, plaintiffs rely on the statements of Med-Health's principal, Christopher Hattenbach. Hattenbach states in a declaration submitted in support of plaintiffs' motion that, during the relevant time period from September 2006 to March 2008,

> Med-Health principally purchased U.S. Retail Boxes in bulk (meaning purchases of 600 or more boxes) from only two distributors: Wolf Medical Supply, Inc. ("Wolf Medical") and CHI Pharma (which subsequently changed its name to Trayll Brands) ("CHI Pharma"). While Med-Health purchased 50-count U.S. Retail Boxes from both Wolf Medical and CHI Pharma, Med-Health only purchased 100-count U.S. Retail Boxes from CHI Pharma.

Declaration of Christopher Hattenbach ¶ 4 ("Hattenbach Decl."), Potter 9/24/12 Decl. Ex. 199; *see* J&J Mem. 43, 87. In other words, according to Hattenbach, all 100-count U.S. retail boxes that Med-Health purchased in bulk amounts of 600 or more boxes were acquired from CHI Pharma. Hattenbach similarly testified in his deposition that, while he could not recall every one of Med-Health's sources of LifeScan test strips, the one provider Med-Health "bought quite a bit from" was CHI Pharma, Eric Stevens' company. Deposition of Christopher Hattenbach 203 ("Hattenbach Dep."), Potter 9/24/12 Decl. Ex. 29. Hattenbach reiterated later in his deposition that he did not recall acquiring test strips in bulk amounts from any supplier other than CHI

Pharma, and asserted that the strips it sold to Cobra during this relevant period were originally acquired from CHI Pharma. Hattenbach Dep. 304, 313-15.

At another point in his deposition, however, Hattenbach was less clear. Hattenbach was shown a specific invoice that included both 50-count and 100-count test strips and asked: "[D]o you know if these were purchased by Med-Health from Eric Stevens?" He answered: "I don't know specifically, no, sir." Hattenbach Dep. 314-15; *see* Hattenbach Dep. Ex. 28, at MH000622, Potter 3/18/13 Decl. Ex. 246. Later on in the deposition, when asked if, in November 2006, he was also buying 50-count and 100-count boxes from other suppliers besides Stevens, Hattenbach responded that he was. Hattenbach Dep. 407-08. As defendants argue and plaintiffs concede, this creates some ambiguity about whether all of the boxes that Cobra purchased from Med-health were counterfeit.

Plaintiffs have presented Med-Health invoices and related documents reflecting sales of 15,228 100-count boxes to Cobra. J&J 56.1 ¶¶ 327-40. At least some of these invoices were authenticated by Hattenbach at his deposition. Hattenbach Dep. 314. In light of the large volume of test strips sold by Med-Health to Cobra Hattenbach's undisputed testimony that Med-Health's only bulk source for 100-count boxes was CHI Pharma, any reasonable finder of fact would conclude that at least some of the boxes that Med-Health sold to Cobra were counterfeits that originated with CHI Pharma, but it is not possible to determine the precise amount.

b. Status as Purchasers and Sellers or Transactional Intermediaries

The MSI and Cobra Defendants contest liability on a separate ground: each characterizes its role in the test strip transactions described above as merely that of a "transactional intermediary" between other entities and argues that they therefore did not "use in commerce" counterfeit goods for the purposes of the Lanham Act. MSI Mem. 23-24; Cobra Mem. 12-13.

These defendants rely in this regard on *GMA Accessories, Inc. v. BOP, LLC et al.*, 765 F. Supp. 2d 457 (S.D.N.Y. 2011) (denying summary judgment on the mark-holder's trademark infringement claim), in which the court noted that "[w]hat constitutes a 'seller' in the trademark context is not clear, but in other contexts a transactional intermediary is not treated as a seller." *Id.* at 464. Guided by antitrust case law, the district court in *GMA* found it significant that defendant received a commission, and that there was no evidence that it ever "took title to the merchandise, maintained an inventory of merchandise, [or] bore the risk of loss or other traditional indicia of status as seller," *id.* at 464. MSI and Cobra argue that they, too, were merely brokers or transactional intermediaries that were paid a percentage in commission, and that they likewise never took physical possession of the goods. MSI Mem. 23-24; Cobra Mem. 12-13.

Defendants' reliance on *GMA* is misplaced, because the facts in *GMA* are readily distinguishable from those here and cut against defendants' characterization of their role as that of mere brokers. The defendant in *GMA* operated a showroom that displayed samples of apparel for consideration by wholesale buyers. It earned a commission for facilitating sales between these wholesale buyers and its clients, the manufacturers. *GMA*, 765 F. Supp. 2d at 461. The fact that the *GMA* defendant was not the seller of the merchandise on display in its showroom was obvious and transparent; the showroom displayed samples from multiple manufacturers at one time and the defendant never labeled or advertised its showroom as one connected to the allegedly offending manufacturer. *Id.* at 461, 463. By contrast, in this case, the parties that acquired test strips from the MSI and Cobra Defendants understood themselves to be customers making purchases from MSI and Cobra. For example, the principal of DCI, Cobra's customer, testified that, to his understanding, his company purchased test strips from Cobra. Deposition of

Alvin Eder 73 ("Eder Dep."), Potter 3/18/13 Decl. Ex. 247. Moreover, DCI's principal had no knowledge about the source of the test strips other than that they were acquired from Cobra; he testified that he did not know Cobra's source of supply and did not expect Cobra to share this "confidential" information, because "in the business that we're in . . . it is highly unusual for a source of ours to disclose where they are also buying the goods. It's confidential information, that's just commonplace not to – for a source to disclose its source to us, it's just the way it is." *Id.* at 82-83. In short, DCI's principal had no knowledge at the time that the products for which he was paying Cobra were actually being shipped from Med-Health. *Id.* at 310.

Hernandez, the principal of NDC, the company that supplied MSI, has submitted a declaration in which he describes having "personally negotiated the terms of MSI's *purchases* of OneTouch Ultra" with MSI's principal, Michael Barba. Hernandez Decl. ¶ 5 (emphasis added). A series of invoices issued by NDC to MSI, indicating that the amounts due are to billed to MSI and that MSI is to arrange for shipping, are authenticated in and attached to Hernandez's declaration. Hernandez Decl. ¶ 8 and Ex. C. Hattenbach, the principal of Med-Health, the company that supplied test trips to Cobra, similarly describes in his declaration having "sold" strips to Cobra as well as various other companies. Hattenbach Decl. ¶ 7. In addition to his testimony that Med-Health sold test strips to Cobra, Hattenbach stated that Med-Health drop-shipped those strips "on behalf of Cobra," that Med-Health had no communication with Cobra's customer, and that Med-Health issued invoices to Cobra. Hattenbach Dep. 311-14.

Moreover, although MSI and Cobra are similar to the defendant in *GMA* in that they did not "maintain[] an inventory of merchandise" in their physical possession, they certainly "bore the risk of loss" in their transactions, a "traditional indicia of status as a seller." *GMA*, 765 F. Supp. 2d at 464. MSI and Cobra issued purchase orders and made payments directly to their

suppliers, who invoiced them directly. Michael Barba, MSI's principal, testified in his deposition as follows: "Q: And when you presold the product, would you take in the monies for that product and then pay National Distribution [NDC]? A: Yes." Deposition of Michael Barba 119, Potter 9/24/12 Decl. Ex. 12 ("Barba Dep."). Elsewhere in his deposition, when shown invoices reflecting transactions between MSI and its supplier, Barba acknowledged that the invoices "reflect[] purchases by MSI of Lifescan [*sic*] test strips." *Id*. at 145; *see also id.* Ex. 12 (invoices issued by supplier to MSI). Later in the same deposition, Barba was asked, "When you sold product to Med Health Direct, they would be invoiced directly from MSI or [your supplier] NDC?," and answered "MSI." *Id.* at 209; *see also id.* Ex. 19 (invoices issued by MSI to Med-Health Direct), Ex. 20 (invoices issued by MSI to MC Distributors). Similarly, Cobra's principal, Herbert Dunayer, has submitted an affidavit where he describes how Cobra would issue a "purchase order" for test strips to its supplier, that Cobra would then be paid by the party receiving the strips, and that Cobra would then pay the amount of the purchase order to the supplier of the strips. Dunayer Aff. ¶ 10. J&J has also produced a series of invoices from Med Health describing product as being sold to Cobra. *See, e.g.*, Eder Dep. Ex. 47, 49, 51, 55, 57, 59 and 61; Hattenbach Dep. Ex. 36. The MC records described above likewise identify Cobra as MC's "customer." Potter 3/18/13 Decl. Ex. 252, at MCDR076489; *see also id.* at MCDR076400 (labelling chart's first column, where Cobra appears at MCDR076489, as "Customer ID").

For all these reasons, *GMA* is inapplicable here. I therefore respectfully recommend that the Court reject the contentions of the MSI and Cobra Defendants that they should not be held liable for infringement because they were mere "transactional intermediaries."

c. Individual Liability of MSI's Principal

Finally, while the MSI Defendants acknowledge that MSI's principal and only

shareholder was Michael Barba, the MSI Defendants argue that Barba should not be held personally liable for the alleged activity of MSI. *See* MSI Mem. 34-37; MSI 56.1 ¶ 179. Yet the principal of NDC, Carlos Hernandez, states in his affidavit that he negotiated sales of test strips directly with Barba. Hernandez Decl. ¶ 5. Moreover, Barba testified that he was one of two MSI employees responsible for purchases and sales. Deposition of Michael Barba 22 ("Barba Dep."), Potter 9/24/12 Decl. Ex. 12 ("Q: [W]ho at MSI Medical actually purchased or sought to purchase product? A: Keith and myself. Q: So both of you were involved in procuring as well as sales; is that fair? A: Yes."). This undisputed evidence demonstrates that Barba "personally participated in and/or had the right and ability to supervise, direct and control the infringing conduct and benefitted from it," *Microsoft Corp. v. AGA Solutions, Inc.*, 589 F. Supp. 2d 195, 201 (E.D.N.Y. 2008), and is sufficient to support a finding of personal liability.

4. H&H

a. Strict Liability

H&H is a wholesale seller of blood glucose test strips and related diabetic supplies, including OneTouch Ultra test strips. J&J 56.1 ¶ 126. Howard Goldman is the co-founder and sole owner of the company, which has between thirty-five and forty employees. J&J 56.1 ¶¶ 127-30. Plaintiffs contend that the H&H Defendants purchased 20,244 boxes of counterfeit strips directly from Gymtrade and another 1,008 counterfeit boxes of test strips from Product Performance that were originally acquired from Rowan Tree. J&J Mem. 5. Plaintiffs further contend that the H&H Defendants' infringement was willful and seek an award of enhanced statutory damages and injunctive relief on that basis.

The H&H Defendants acknowledge that they purchased 20,244 50-count boxes of OneTouch Ultra test strips from Gymtrade between October 2004 and September 2005. J&J

56.1 ¶ 137, to which H&H states "no response;" H&H Resp. to Pls.' First Set of Requests for Admission No. 9, Potter 9/24/12 Decl. Ex. 51. Nevertheless, they argue that they may not be held liable for infringement with respect to these test strips because the underlying transactions by which they acquired and sold the test strips were extraterritorial. H&H Mem. 16-22.

Gymtrade, as discussed above, is based in South Africa. H&H points out that it sold the 20,244 boxes it purchased from Gymtrade, a foreign corporation, to MTE, a company located in Canada, and that its sale to MTE was arranged while the test strips themselves were in the Netherlands. J&J 56.1 ¶ 148. MTE, meanwhile, had presold the product to Novex in New York; accordingly, the test strips were shipped from Amsterdam to New York. J&J 56.1 ¶ 152; *see* Deposition of Razmik Margoosian 162-79, Exs. 6-8, Potter 9/24/12 Decl. Exs. 36, 201-03 (testimony of MTE employee, business records showing MTE-Novex transactions and freight shipment from Amsterdam to New York); *see also* Goldman Decl. ¶ 20. H&H claims it did not know that MTE would import the boxes into the United States and that, because MTE is a Canadian company and the transaction was "consummated" in Amsterdam, H&H's involvement was "extraterritorial conduct" beyond the Lanham Act's reach. H&H Mem. 18, 20-21.

As plaintiffs point out, defendants' argument is completely at odds with controlling case law. *See* J&J Reply Mem. 49-50. Generally, "[t]he Lanham Act may reach allegedly infringing conduct that occurs outside the United States when necessary to prevent harm to commerce in the United States." *Atlantic Richfield Co. v. Arco Globus Intern. Co., Inc.*, 150 F.3d. 189, 192 (2d Cir. 1998). The Second Circuit has identified three factors "relevant to whether the Lanham Act is to be applied extraterritorially: (i) whether the defendant is a United States citizen; (ii) whether there exists a conflict between the defendant's trademark rights under foreign law and the plaintiff's trademark rights under domestic law; and (iii) whether the defendant's conduct has

a substantial effect on United States commerce." *Id*. With respect to the third factor, "[i]t is well-settled that a showing of consumer confusion or harm to plaintiff's goodwill in the United States is sufficient to demonstrate a 'substantial effect on United States commerce." *Gucci Am., Inc. v. Guess?, Inc*., 790 F. Supp. 2d 136, 142 (S.D.N.Y. 2011).

The first *Atlantic Richfield* factor, of course, weighs strongly in favor of the Lanham Act's application, as H&H is a Michigan-based corporation and Goldman is presumably a Michigan resident or at least a citizen of the United States. The second factor likewise supports application of the Lanham Act, as H&H has asserted no rights under foreign trademark law. Finally, the test strips at issue were imported into the United States in counterfeit packaging that falsely represented that the strips were intended for retail distribution here. Clearly, then, it was highly likely that the importation would cause consumer confusion or harm to plaintiff's goodwill in the United States.

For all these reasons, I conclude that plaintiffs are entitled to summary judgment on their trademark infringement claim for strict liability against the H&H Defendants for the 20,244 50-count boxes of OneTouch Ultra test strips they purchased from Gymtrade.

H&H also acknowledges that it purchased 1,008 boxes of test strips from Product Performance. J&J 56.1 ¶ 173 (to which H&H states "no response"). Plaintiffs further state, however, that H&H attempted to return these test strips to Product Performance because of concerns that they might be counterfeit, and there is no evidence indicating that H&H sold these test strips to anyone. As noted above, the relevant statute provides that "a mark shall be deemed to be in use in commerce . . . on goods when . . . it is placed in any manner on the goods or their containers . . . and . . . the goods are sold or transported in commerce." 15 U.S.C. § 1127 (2013). Because there is no evidence that H&H transported or sold the 1,008 boxes of test strips it

purchased from Product Performance, and because H&H attempted to return the test strips, I conclude that there is, at a minimum, a question of fact with respect to whether H&H used the counterfeit boxes in commerce, and that plaintiffs are therefore not entitled to summary judgment with respect to them.

b. Individual Liability

Defendant Howard Goldman argues that he should not be held individually liable for the actions of H&H because he divided his time between H&H and another company that he owned, spent only about five-to-ten hours per week at H&H, and relied on his general manager to oversee the company's day-to-day operations such as negotiating with suppliers, placing orders, and supervising sales. H&H Mem. 7-12. Even assuming H&H's general manager took the lead role in day-to-day operations, Goldman's role was sufficient to support a finding of personal liability.

It is undisputed that Goldman was H&H's sole owner and that he regularly participated in the conduct of its business. H&H, responding to plaintiffs' notices to admit, has admitted that, from 2004 to 2008, Goldman was informed by H&H employees of purchases and sales of OneTouch strips, and that he authorized or approved of H&H's purchases. Potter 9/24/12 Decl. Ex. 51, Responses to Requests 5 and 6. Goldman's approval was also required before H&H made any wire transfers to pay suppliers, such as Gymtrade, for test strips. Potter 9/24/12 Decl. Ex. 51, Response to Requests 6 and 7. [33]

[33] Goldman seeks to avoid the implications of these responses to plaintiffs' Notices to Admit by arguing that they were H&H's responses and therefore not binding on him. Goldman, as noted, is the sole owner of H&H, is represented in this action by the same counsel as H&H, and has submitted joint papers in opposition to plaintiffs' motion – including a joint Local Civil Rule 56.1 Statement – with H&H. Moreover, H&H as an entity is certainly in a position to know whether Goldman approved H&H's purchases. Accordingly, I give no weight to Goldman's attempt to avoid responsibility for H&H's responses.

Moreover, Anthony Fichera, who was responsible for all of H&H's purchases and sales from 2005 through 2008, *see* Goldman Decl. ¶ 4, was asked at his deposition about one of the shipments from Gymtrade and in particular about Goldman's knowledge of it. Fichera testified that Goldman "knew [about the shipment] from the beginning. He knew the actions. . . . I mean I wasn't a rogue buyer. I just didn't buy stuff and then tell him weeks later." Deposition of Anthony Fichera 109 ("Fichera Dep."), Potter 9/24/12 Decl. Ex. 25. Fichera further testified that, after expressing H&H's concerns that the test strips sold by Gymtrade might be counterfeit and receiving an unsatisfying email response from Spanellis, he likely discussed the email with Goldman, who was "very concerned." *Id.* at 148-49. Kellie Host, H&H's administrative director, testified at her deposition that Goldman was present when law enforcement officers raided its warehouse and led a meeting about it the following day. Deposition of Kellie Host 16, 47 ("Host Dep."), Potter 9/24/12 Decl. Ex. 28. Host further testified that, before making purchases, Fichera was required to consult with Goldman and that, when customers asked H&H for written assurances that the LifeScan products it sold were genuine, Goldman would provide them with a letter. *Id.* at 56, 58, 68. Finally, Goldman spoke with Spanellis of Gymtrade by telephone at least once about getting documentation that the test strips H&H purchased were genuine, or about getting money back for test strips that were seized. Deposition of Howard Goldman 85, 93-94, Potter 9/24/12 Decl. Ex. 32.

This undisputed evidence thus demonstrates that Goldman "personally participated in and/or had the right and ability to supervise, direct and control the infringing conduct and benefitted from it." *Microsoft Corp. v. AGA Solutions, Inc.*, 589 F. Supp. 2d at 201. Accordingly, Goldman may properly be held personally liable for H&H's infringement.

c. Willfulness

As noted above, plaintiffs seek enhanced statutory damages and injunctive relief against the H&H Defendants on the grounds that their infringement was willful. J&J Mem. 63 *et seq*. The H&H Defendants deny that they willfully imported counterfeit packages of test strips. *See, e.g.*, Goldman Decl. ¶¶ 14, 26.

The Lanham Act provides that a plaintiff may "elect . . . to recover, instead of actual damages and profits under [15 U.S.C. § 1117(a)], an award of statutory damages . . . in the amount of – . . . 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 service sold, offered for sale, or distributed, as the court considers just." [34] When determining statutory damages under the Lanham Act, courts in this district have been guided by Second Circuit precedent with respect to a similar provision of the Copyright Act, 17 U.S.C. § 504(c). *See, e.g.*, *Phillip Morris USA Inc. v. Marlboro Express*, 2005 WL 2076921, at *6 (E.D.N.Y. 2005) (granting plaintiffs' motion for summary judgment and awarding maximum statutory damages based on a finding of willful infringement). With respect to willfulness, "[t]he standard . . . is whether the defendant had knowledge that [his] conduct represented infringement or perhaps recklessly disregarded the possibility." *Id.* (quoting *Kepner-Tregoe, Inc. v. Vroom*, 186 F.3d 283, 288 (2d Cir. 1999)); *see also Twin Peaks Prods., Inc. v. Publications Int'l, Ltd.*, 996 F.2d 1366, 1382 (2d Cir. 1993).

Courts are generally reluctant to grant summary judgment when mental state is an element of the claim at issue. Because "the Court may not make credibility judgments," summary judgment is inappropriate where the "plaintiff fails to offer conclusive evidence

[34] 15 U.S.C. § 1117(c) (2002) (amended 2008, doubling the dollar amounts, *see* Prioritizing Resources and Organization for Intellectual Property Act of 2008, Pub. L. No. 110–403, § 104, 122 Stat. 4256 (2008)).

regarding defendants' intent, and defendants deny their knowledge of the infringing activity and dispute the inferences to be drawn from evidence suggesting that defendants willfully infringed or recklessly disregarded the possibility of infringement." *Koon Chun Hing Kee Soy & Sauce Factory, Ltd. v. Star Mark Mgmt., Inc.*, 2007 WL 74304, at *13 (E.D.N.Y. Jan. 8, 2007).

Nevertheless, "[i]t is permissible to [grant summary judgment even when mental state is an element] where . . . there are sufficient undisputed material facts on the record to make the question appropriate for summary judgment." *Motorola, Inc. v. Abeckaser*, 2009 WL 962809, at *8 (E.D.N.Y. Apr. 8, 2009) (citing *Resource Developers, Inc. v. Statue of Liberty-Ellis Island Found., Inc.*, 926 F.2d 134, 141 (2d Cir. 1991)). Thus, if the evidence is such that "no reasonable juror could fail to find other than willful infringement," the Court may award enhanced statutory damages based on its finding of willful infringement at the summary judgment stage. *Microsoft Corp. v. Black Cat Computer Wholesale, Inc.*, 269 F. Supp. 2d 118, 123 (W.D.N.Y. 2002).[35]

Plaintiffs contend that the conduct of the H&H Defendants – and in particular their decisions to buy and sell test strips even after certain products were seized and alerts were issued – demonstrates that these defendants acted willfully. Accordingly, I describe that conduct in detail below.

[35] The plaintiffs in *Microsoft* sought statutory damages only for non-willful infringement, but the court found that the defendants displayed "'willful blindness' regarding the counterfeit nature of the infringing products" because they "were aware of authorized distributors but did not utilize them, ignored facts suggesting that their suppliers' [product] was not genuine, and continued to obtain and distribute counterfeit [product] after being specifically requested by Plaintiff to cease and desist therefrom." 269 F. Supp. 2d at 123. Based on its finding that the infringement had been willful, the district court opted to award attorney's fees in addition to the statutory damages requested by the plaintiffs. *Id.* at 124.

H&H purchased 2,015 boxes[36] of SureStep test strips[37] from Gymtrade in February 2005. J&J 56.1 ¶ 140.[38] In early March 2005, this shipment was detained at the Detroit airport by U.S. Customs ("DHS").[39] *See* Potter 9/24/12 Decl. Ex. 198, at H&H00070 (H&H Petition for Cancellation of Seizure) and especially at H&H00106 (sample labeled with date placed on hold, March 8, 2005, and date seized, April 29, 2005); *see also* Declaration of Howard B. Goldman ¶ 9, Docket Entry 749 ("Goldman Decl."). At or about the same time the shipment was detained, H&H's warehouse was raided by DHS. J&J 56.1 ¶ 143; *see also* Host Dep. 45.

On April 4, 2005, while the 2,015 boxes of SureStep were still being detained by DHS, H&H purchased an additional 6,046 boxes of SureStep test strips from Gymtrade. J&J 56.1 ¶ 142. This shipment, like all other shipments from Gymtrade to H&H, was first shipped to Amsterdam for inspection prior to being sent through to the United States. J&J 56.1 ¶¶ 138, 146. Because this shipment consisted of strips that were the same brand as those that were detained by DHS, H&H decided to hold the strips in Amsterdam. J&J 56.1 ¶ 146; Goldman Decl. ¶ 17; H&H Mem. 14. On April 18, 2005, also while the 2,015 boxes of SureStep strips were being detained by DHS, H&H purchased 12,164 boxes of OneTouch Ultra 50-count test strips from Gymtrade. J&J 56.1 ¶ 141.

On April 29, 2005, DHS officially seized the boxes of SureStep that had been purchased

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[36] There is a 1-box discrepancy between the purchase order for 2,016 boxes and the invoice for 2,015 boxes. H&H employee Kellie Host explained at her deposition that H&H ordered 2,016 (84 cartons, 24 boxes each), but only 2,015 were present upon inspection in Amsterdam. *See* Host Dep. 100, Ex. 6.

[37] SureStep is another LifeScan brand of diabetic test strips distinct from the OneTouch strips at issue. Although SureStep strips are not the direct subject of the instant motion, they are discussed here because plaintiffs argue that H&H's experience with SureStep alerted it to the high risk that test strips from unauthorized distributors might be counterfeit.

[38] This fact and the following events involving H&H are undisputed unless otherwise noted. The facts are largely drawn from paragraphs of J&J's Rule 56.1 statement that are not challenged by H&H.

[39] For the sake of clarity, U.S. Customs and Border Control and the cabinet department of which it is a part, the U.S. Department of Homeland Security, will both be referred to as "DHS" although the briefs use both terms.

from Gymtrade and detained at the Detroit airport since early March. DHS sent H&H at least two communications regarding its seizure of this shipment from Gymtrade. First, on May 16, 2005, DHS sent H&H a formal notice of seizure, citing the authority of 19 U.S.C. § 1595a(c) (authorizing seizure by U.S. Customs of merchandise introduced contrary to law) and alleging a violation of 21 U.S.C. §§ 331 and 352 (relating to misbranded drugs and devices). J&J 56.1 ¶ 143; Potter 9/24/12 Decl. Ex. 198, at H&H00093. Subsequently, on August 23, 2005, DHS sent H&H an amended notice of seizure, citing the same code provisions as the previous letter, but this time also advising H&H of an additional basis for seizure and forfeiture: that the test strips seized on April 29, 2005 were in counterfeit packaging. More specifically, the letter from DHS reported that "*the boxes containing the blood glucose test strips and the test strip vial label have been replaced subsequent to the distribution of this product from the manufacturer*. The boxes and vial labels are counterfeit of the One Touch and SureStep trademarks owned by Johnson and Johnson." Potter 9/24/12 Decl. Ex. 198, at H&H00121 (emphasis in original).[40]

On May 26, 2005, after DHS sent a formal notice of seizure but before it identified the seized merchandise as counterfeit, H&H purchased 8,080 boxes of OneTouch Ultra 50-count from Gymtrade. J&J 56.1 ¶ 145; *see also* H&H Mem. 14; J&J Mem. 57. At this point, H&H was aware that the SureStep boxes it had purchased from Gymtrade had been seized; however, as Goldman stresses in his declaration, "[t]here had been no notification from Customs or LifeScan that the SureStep test strips were packaged in counterfeit boxes" and, in any event, "OneTouch Ultra 100's was not the same product as SureStep." Goldman Decl. ¶ 18.

[40] Both letters state that, on April 29, 2005, DHS seized 82 cartons of 24 boxes each, or a total of 1968 boxes, out of the 2015 boxes that were accounted for in Amsterdam. It is undisputed that the boxes seized by DHS on April 29, 2005 are the same product that H&H purchased from Gymtrade in February 2005. *See* J&J Mem. 57; H&H Mem. 12. Although the August 23, 2005 DHS letter refers to OneTouch and SureStep, it appears that the seized merchandise was comprised entirely of SureStep strips.

The August 23, 2005 letter from DHS caused H&H to contact Gymtrade and request proof that the SureStep test strips were authentic. J&J 56.1 ¶ 147; *see also* Goldman Decl. ¶ 19; J&J Mem. 58. Anthony Fichera, the general manager of H&H, testified that "immediately" after hearing from the government that the product from Gymtrade was counterfeit, he contacted Spanellis, one of the principals of Gymtrade. Fichera Dep. 102-03. Fichera recalls that he "asked [Spanellis] for documentation, some pedigree, some proof" that the product was authentic. Fichera Dep. 103. H&H then waited for a significant period of time without receiving any response from Spanellis or Gymtrade. Fichera Dep. 112.

At this point, H&H was still holding in Amsterdam the following shipments that it had purchased from Gymtrade in April and May of 2005: the April 4 purchase of 6,046 boxes of SureStep, the April 18 purchase of 12,164 boxes of OneTouch Ultra 50-count, and the May 26 purchase of 8,080 boxes of OneTouch Ultra 50-count. On September 29-30, 2005, after having received the letter from Customs in August declaring that the seized SureStep strips were counterfeit, and while still waiting for a response from Spanellis or Gymtrade to Fichera's request for documentation, H&H sold both shipments of the OneTouch Ultra 50-count, a total of 20,244 boxes that it had purchased from Gymtrade and was holding in Amsterdam, to Montreal-based MTE, Inc. ("MTE"). J&J 56.1 ¶ 148; Goldman Decl. ¶ 20. H&H sold these boxes to MTE at a loss of $3.25 per box, or for approximately 11% less than the original price of $30.25 that H&H had paid to Gymtrade. J&J 56.1 ¶¶ 141, 148; H&H 56.1 ¶ 148.

By March of 2006, H&H had still not received any evidence of authenticity or other response to its request from Gymtrade. Fichera testified that "[a]t some point . . . there was a demand made to Mr. Spanellis[:] either produce the documentation or take the goods back because we cannot import them and you are sitting on $160,000 of our money." Fichera Dep.

112. Fichera emailed Spanellis on March 15, 2006:

> Based on our conversation on 3-13-06 you have been updated regarding of [*sic*] our issues with the Surestep [*sic*] that we purchased from you/Gymtrade in March and April of 2005. US Customs have [*sic*] seized these goods and will not release these goods to H&H based on their statement that the goods are counterfeit. You have communicated to us on several occasions that these goods are not counterfeit and you are 100% sure they are genuine product and packaging. We need for you to assist us by providing all the supporting data and documents to confirm that these goods are not counterfeit, that they are original LifeScan products in original LifeScan packaging. We have taken a costly route by trying to resolve this without proper documentation to no avail. We have no choice but to insist on proper documentation proofs from the party that purchased the product from Lifescan [*sic*], immediately to prove these items are genuine.
>
> In the alternative if you desire to buy these goods back immediately that will rectify the situation.

Potter Decl. 9/24/12 Ex. 25-22, at H&H00297; J&J 56.1 ¶ 153.

Gymtrade did not provide the requested documentation or otherwise respond to Fichera's email. J&J 56.1 ¶ 158. However, in May and June of 2006, Gymtrade did refund half, or $83,132.50 of the $166,265, that H&H had paid for the 6,046 boxes of SureStep it had purchased in April of 2005. J&J 56.1 ¶¶ 159-65.

Plaintiffs emphasize that, even after its experience with Gymtrade, H&H continued to acquire test trips from secondary sources. It is undisputed that nearly two years later, on March 20, 2008, H&H purchased 1,008 100-count boxes of OneTouch Ultra test strips from Product Performance, a company based in New York. J&J 56.1 ¶ 173. It is also undisputed that on March 28, 2008, H&H purchased approximately 1,008 100-count boxes of OneTouch Ultra from yet another supplier, Healthsource. J&J 56.1 ¶ 168.

J&J has examined product that was seized from Healthsource and one of its pharmacy customers and determined that boxes with lot numbers matching those purchased by H&H were counterfeit. J&J 56.1 ¶¶ 171-72. H&H objects to the admissibility of some of the evidence

submitted in support of this statement, H&H 56.1 ¶¶ 171-72; however, H&H does not dispute that Healthsource is a company that has sold counterfeit OneTouch Ultra test strips. Indeed, H&H must have become aware of this fact at some point, because it returned approximately 681 boxes from the shipment at issue to Healthsource when it learned that the boxes bore lot numbers that were listed on J&J's website as counterfeit. J&J 56.1 ¶ 170; H&H Mem. 29. H&H also unsuccessfully attempted to return the product it had purchased from Product Performance. J&J 56.1 ¶ 174.

Plaintiffs argue that the facts recounted above demonstrate that H&H knowingly purchased and sold infringing OneTouch test strips, or recklessly disregarded the likelihood that the OneTouch test strips it bought from Gymtrade were counterfeit. Although the evidence is persuasive, it is not as conclusive as plaintiffs contend.

For example, and as defendants point out, DHS seized only SureStep strips purchased from Gymtrade; as a result, H&H was never alerted by anyone that Gymtrade was selling counterfeit OneTouch strips. In addition, there is no evidence that H&H sold SureStep test strips it purchased from Gymtrade after learning from DHS in August 2005 that the boxes of strips seized on April 29, 2005 were counterfeit.

Moreover, although plaintiffs seem to suggest that any purchase of test strips from any source other than J&J or an authorized distributor is suspect, even the evidence presented by plaintiffs in connection with the pending motion undermines that assertion. The evidence indicates that there were several sources of test strips other than plaintiffs available to purchasers, and plaintiffs have not demonstrated that those alternative sources dealt exclusively in counterfeit products. For example, as discussed above with respect to the liability of the Cobra Defendants, plaintiffs have conceded that both MC Distributors and Med-Health obtained

test strips from sources other than CHI Pharma, Gymtrade and Rowan Tree and sold them to Cobra, but they do not assert Cobra should be held liable for counterfeiting with respect to these test strips.

Finally, as discussed above, H&H demanded proof of authenticity from Gymtrade and returned, or attempted to return, test strips it suspected of being counterfeit. One inference from these facts, favorable to plaintiffs, is that H&H knew it was buying counterfeit test strips and, once DHS or plaintiffs knew, H&H attempted to avoid being held legally or financially responsible. However, another inference is that H&H did not know the goods were counterfeit when it bought them, and that its requests for authentication and refunds reflected its genuine hope that it could prove the strips bought from Gymtrade were not counterfeit and a reasonable expectation that a legitimate supplier of goods that turned out not to be authentic would refund the purchase price. In deciding a motion for summary judgment, of course, all inferences must be drawn in favor of the non-movant. I therefore draw the inference favorable to H&H here.

For all these reasons, I conclude that plaintiffs are entitled to summary judgment on their trademark infringement claim for strict liability against the H&H Defendants for the 20,244 50-count boxes of OneTouch Ultra test strips they purchased from Gymtrade. However, I further conclude that the aspects of plaintiffs' motion that seek to impose strict liability on the H&H Defendants for the 1,008 boxes of test strips they purchased from Product Performance, and to obtain injunctive relief or enhanced statutory damages for willful infringement by the H&H Defendants, should be denied.

C. False Description, False Advertisement

Section 43(a) of the Lanham Act is broader than Section 32 in that it covers both registered and unregistered marks, as well as trade dress and product design. *See*

Microsoft Corp. v. AGA Solutions, Inc., 589 F. Supp. 2d 195, 202 n.5 (E.D.N.Y. 2008), *on reconsideration in part*, 2009 WL 1033784 (E.D.N.Y. Apr. 17, 2009). The statute reads as follows:

> Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which—
>
> > (A) is likely to cause confusion, or to cause mistake, or to 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, or
> > (B) in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person's goods, services, or commercial activities,
>
> shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act.

15 U.S.C. § 1125(a)(1) (McKinney 2013).

The first part of the statute, § 1125(a)(1)(A), concerns false designations of origin or false descriptions. The elements of this claim are "virtually the same" as those for § 1114 trademark infringement, and case law applicable to one applies to the other. *Microsoft Corp. v AGA*, 589 F. Supp. 2d at 202 (citing *Louis Vuitton Malletier v. Dooney & Bourke, Inc.*, 454 F.3d 108, 114 (2d Cir. 2006)). It logically follows, then, that the same facts that support a claim of trademark infringement will generally suffice to establish a claim for false designation of origin. *Microsoft Corp. v AGA*, 589 F. Supp. 2d at 202; *see also Invicta Plastics (USA) Ltd. v. Mego Corp.*, 523 F. Supp. 619, 622 (S.D.N.Y. 1981) ("Under both the infringement section of the Lanham Act, 15 U.S.C. § 1114, and the false designation of origin section, 15 U.S.C. § 1125, the same test is applied to determine whether a particular activity violates the Act."). Indeed, in *Starbucks Corp. v. Wolfe's Borough Coffee, Inc.*, 588 F.3d 97, 114 (2d Cir. 2009), the Second Circuit considered

likelihood of confusion for claims under both sections simultaneously. I therefore make the same recommendations with regard to the false description claim brought under § 1125(a)(1)(A) as I do for the trademark infringement claim brought under § 1114(1)(a).

J&J also brings a false advertising claim against defendants under the second part of the statute, § 1125(a)(1)(B), which provides an alternative basis to establish liability under this subsection. Because false description is already established, I see no reason to consider plaintiffs' false advertising claim here. However, if Judge Townes declines to adopt my recommendation of liability on the false description claim and does so on grounds that are not plainly applicable to the false advertising claim as well, I respectfully request that Judge Townes refer the motion back to me for a further report and recommendation with respect to plaintiffs' false advertising claim.

D. Trademark Dilution Under Federal and New York Law

The Lanham Act's anti-dilution provision entitles "the owner of a famous mark that is distinctive, inherently or through acquired distinctiveness," to injunctive relief against another who "commences use of a mark or trade name in commerce that is likely to cause dilution by blurring or dilution by tarnishment of the famous mark, regardless of the presence or absence of actual or likely confusion, of competition, or of actual economic injury." 15 U.S.C. § 1125(c) (2013). The New York anti-dilution statute, N.Y. General Business Law § 360-*l*, similarly provides that, in trademark infringement cases, "[l]ikelihood of injury to business reputation or of dilution of the distinctive quality of a mark or trade name shall be a ground for injunctive relief" in cases of infringement of a mark registered or not registered or in cases of unfair competition, notwithstanding the absence of competition between the parties or the absence of confusion as to the source of goods or services." N.Y. Gen. Bus. Law § 360-*l* (McKinney 2013).

As is plain from the statutory language itself, the Lanham Act's anti-dilution provision and its New York counterpart provide solely for injunctive relief.[41] Plaintiffs' motion seeks injunctive relief only against the H&H Defendants. J&J Mem. 5-6. Plaintiffs' argument that an injunction should be entered against the H&H Defendants is largely based on their contention that the H&H Defendants infringed willfully. *See* J&J Mem. 68. Because I recommend denying plaintiffs' motion to the extent it seeks summary judgment against the H&H Defendants for willful infringement, I also recommend that plaintiffs' demand for injunctive relief against the H&H Defendants be denied at this stage of the litigation.

E. Remaining State Law Claims

Plaintiffs assert a number of additional claims under New York law. First, plaintiffs assert a claim for unfair competition against the H&H Defendants. "Under New York law, common law unfair competition claims closely resemble Lanham Act claims except insofar as the state law claim may require an additional element of bad faith or intent." *Girl Scouts of U.S. of Am. v. Bantam Doubleday Dell Pub. Group, Inc.*, 808 F. Supp. 1112, 1131 (S.D.N.Y. 1992) (internal quotation marks and citation omitted), *aff'd*, 996 F.2d 1477 (2d Cir. 1993); *see also Genesee Brewing Co., Inc. v. Stroh Brewing Co.*, 124 F.3d 137, 149 (2d Cir. 1997) ("[Plaintiff's] *state law* claim of unfair competition is not viable without a showing of bad faith."). It has further been explained by the Second Circuit that "[t]he essence of unfair competition under New York common law is the bad faith misappropriation of the labors and expenditures of another, likely to cause confusion or to deceive purchasers as to the origin of the goods." *Jeffrey*

[41] I note the following exception although it is inapplicable to the present case: The Lanham Act authorizes courts, at their discretion, to award "additional remedies" as set forth in § 1117(a) to recover defendant's profits, damages, and costs. This provision is limited to cases where the person against whom the injunction is being sought "willfully intended to trade on the recognition of the famous mark" or "willfully intended to harm the reputation of the famous mark." § 1125(c)(5).

Milstein, Inc. v. Greger, Lawlor, Roth, Inc., 58 F.3d 27, 34-35 (2d. Cir. 1995) (internal quotations and citations omitted); *see also Excell Consumer Products Ltd. v. Smart Candle LLC*, 2013 WL 4828581, at *1 (S.D.N.Y. Sept. 10, 2013). Because bad faith or intent is an element of unfair competition, and because I recommend denying plaintiffs' motion for summary judgment with respect to willful infringement against the H&H Defendants, I likewise recommend denying plaintiffs' motion for summary judgment against the H&H Defendants for unfair competition.

Plaintiffs also assert claims against all of the defendants under Section 349 of the New York General Business Law and under common law for unjust enrichment. Section 349 provides a cause of action for "[d]eceptive acts or practices in the conduct of any business, trade or commerce." N.Y. Gen. Bus. § 349 (McKinney 2013). To establish liability under this section, "a plaintiff must show that: (1) the defendant's deceptive acts were directed at consumers, (2) the acts are misleading in a material way, and (3) the plaintiff has been injured as a result." *U-Neek, Inc. v. Wal-Mart Stores, Inc.*, 147 F. Supp. 2d 158, 176 (S.D.N.Y. 2001) (quoting *Maurizio v. Goldsmith*, 230 F.3d 518, 521 (2d Cir. 2000)). A plaintiff asserting a claim for deceptive business practices may, absent proof of a willful or knowing violation, recover actual damages. N.Y. Gen. Bus. Law § 349(h). A plaintiff asserting unjust enrichment "must establish (1) that the defendant was enriched; (2) that the enrichment was at the plaintiff's expense; and (3) that the circumstances are such that in equity and good conscience the defendant should return the money or property to the plaintiff." *Golden Pac. Bancorp v. F.D.I.C.*, 273 F.3d 509, 519 (2d Cir. 2001). Recovery for unjust enrichment is "'limited to the reasonable value of the services rendered by the plaintiff.'" *Giordano v. Thomson*, 564 F.3d 163, 170 (2d Cir. 2009) (citing *Collins Tuttle & Co. v. Leucadia, Inc.*, 153 A.D.2d 526, 526 (1989)).

Apart from equitable relief, which plaintiffs do not seek under state law, plaintiffs' claims

for deceptive business practices and unjust enrichment provide for the same type of compensatory damages that are already available under the Lanham Act. I therefore do not further address those state law claims here. However, if Judge Townes declines to adopt my recommendation that plaintiffs be granted summary judgment on their Lanham Act claims, and the grounds for decision do not apply to these state law claims, I respectfully request that Judge Townes refer the motion back to me for a supplemental report and recommendation with respect to them.

F. Affirmative Defenses

Defendants have asserted affirmative defenses of unclean hands, laches, waiver, and acquiescence, and contend that questions of fact with respect to these defenses preclude summary judgment on J&J's claims against them. *See* Novex Mem. 11-15, 39-43; Green Valley Mem. 23-31; MSI Mem. 9-13, 38-44; Cobra Mem. 17; H&H Mem. 42-49, 58-61. The Lanham Act specifically provides that even a plaintiff's right to recover compensatory money damages is "subject to the principles of equity." 15 U.S.C. § 1117(a); *Bambu Sales, Inc. v. Testini*, 1988 WL 138055, at *1 (E.D.N.Y. Dec. 21, 1988). Thus, these affirmative defenses could, if established, bar judgment in plaintiffs' favor.

To establish unclean hands, a defendant must show "that the plaintiff has committed an 'unconscionable act' that is related to the matter at issue." *Gucci Am., Inc. v. Guess?, Inc.*, 868 F. Supp. 2d 207, 245 (S.D.N.Y. 2012). The defense will be sustained by the court "only when a plaintiff otherwise entitled to relief has acted so improperly with respect to the controversy at bar that the public interest in punishing the plaintiff outweighs the need to prevent the defendant's tortious conduct." *Point 4 Data Corp. v. Tri-State Surgical Supply & Equipment, Ltd.*, 2013 WL 4409434, at *28 (E.D.N.Y. Aug. 2, 2013) (quoting *Price v. Fox Entm't Grp., Inc.*, 2007 WL

241387, at *4 (S.D.N.Y. Jan. 26, 2007)). Even if the required showing is made, it does not necessarily preclude a plaintiff from recovering damages. *Id.* Rather, "the court may, in its discretion, deny plaintiff relief based on the doctrine of unclean hands." *Gucci*, 868 F. Supp. 2d at 345.

A laches defense requires a showing that, although the trademark owner had knowledge of the infringement claimed in the lawsuit, the owner "inexcusably delayed" in taking action, and that the defendant would now be prejudiced if the claims were permitted to go forward. *Saratoga Vichy Spring Co., Inc. v. Lehman*, 625 F.2d 1037, 1040 (2d Cir. 1980). Like unclean hands, whether laches should bar a plaintiff from recovering on an otherwise established claim is a matter within the court's discretion. *Point 4 Data Corp.*, 2013 WL 4409434, at *26.

The facts underlying each of defendants' affirmative defenses are essentially the same. Defendants contend that plaintiffs did not report and investigate counterfeiting of which they were aware as completely and aggressively as they should have, and that they waited too long after they became or should have become aware of defendants' conduct to file this lawsuit. Defendant Novex has submitted an expert report from a former United States Food and Drug Administration ("FDA") official in support of its affirmative defenses. Report of Benjamin L. England, Declaration of Adam R. Bialek, Docket Entry 746-12 ("Bialek Decl"), Ex. C. England concludes in his report that plaintiffs "breached their legal duties to fully and timely report to [the FDA] the fact that from summer of 2004 to April 2008 Plaintiffs had received hundreds of consumer complaints and product returns that led to an internal investigation." Report of Benjamin L. England at 3.

If plaintiffs learned of counterfeiting and conducted no investigation, made no report to appropriate regulatory authorities, and took no responsive measures, defendants' equitable

defenses might well persuade me to recommend that plaintiffs be denied any recovery. However, even defendants concede that plaintiffs communicated with government authorities who were aware of counterfeit test strip packaging, conducted some investigation of the source of the counterfeits, and took some remedial measures after discovering the identity of some of the actors involved in the counterfeiting. Defendants are thus left with the argument that plaintiffs did not investigate, report, and react aggressively enough or fast enough.

Defendants assert that plaintiffs became aware of counterfeit packaging in 2004 or early 2005. Novex Mem. 11; H&H Mem. 44. Yet while defendants assert that plaintiffs did not take sufficient action in response, it is undisputed that plaintiffs issued a press release in August of 2004 that warned pharmacists that they had "recently discovered several incidents of counterfeit packaging of OneTouch Ultra 50 Test Strips distributed in the United States" and provided some information about how to identify the counterfeit packages and what steps to take upon discovering counterfeits. Bialek Decl. Ex. D, at LFS000985-986. It is also undisputed that, after identifying a particular distributor as a source of counterfeit test strips, LifeScan terminated its agreement with that distributor. Potter Decl. 09/24/12 Ex. 212.

Moreover, plaintiffs cooperated with appropriate federal authorities and assisted in their investigation. Evidence of this cooperation includes, among other things, a LifeScan document submitted by the H&H Defendants dated April 30, 2005 that refers to discussions that Roy Albiani, LifeScan's Global Director of Brand Integrity, had with the FDA Office of Criminal Investigations and "US Customs" with respect to, among other things, "counterfeit product," including SureStep and Ultra test strips purchased by plaintiffs from H&H. Declaration of Stanley R. Goodman, Docket Entry 746-10 ("Goodman Decl."), Ex. P, at LFS001524. The same document refers to a criminal investigation of H&H and a possible meeting between J&J

officials and representatives of the United States Attorney's Office and the Federal Bureau of Investigation. *Id.* On July 12, 2005, LifeScan personnel met with agents of Immigration and Customs Enforcement, Health and Human Services, the FDA's Office of Criminal Investigations, and the Federal Bureau of Investigation. Goodman Decl. Ex. P, at LFS001070. After a further meeting on July 20, 2005, Albiani, then LifeScan's Director of Trade Relations, reported to his colleagues that the counterfeiters might be prosecuted and that, with plaintiffs' support, federal law enforcement authorities hoped not only to uncover counterfeiting but also fraudulent Medicare billing practices. Goodman Decl. Ex. P, at LFS001591. Yet another document submitted by defendants indicates that plaintiffs continued to cooperate with the investigatory efforts of federal agencies well into 2006. Goodman Decl. Ex. P, at LFS001583 (email dated March 2, 2006 describing how "LifeScan has been working with US Customs OCI [presumably, Office of Criminal Investigations] and the FDA to identify and investigate counterfeit LifeScan product entering the US").

Defendants may be correct that additional steps could have, or even should have, been taken. However, particularly in light of their ongoing cooperation with a pending federal criminal investigation, plaintiffs' failure to act more aggressively can hardly be characterized as "unconscionable," *Gucci*, 868 F. Supp. 2d at 245, or so improper "that the public interest in punishing the plaintiff outweighs the need to prevent the defendant's tortious conduct," *Point 4 Data Corp.*, 2013 WL 4409434, at *28.

Nor did plaintiffs "inexcusably delay" bringing this lawsuit or prejudice defendants by suing when they did. Although the Lanham Act has no explicit statute of limitations, the Second Circuit has held that the analogous state law six-year limitations period for fraud applies to Lanham Act claims. *Conopco, Inc. v. Campbell Soup Co.*, 95 F.3d 187, 191 (2d Cir. 1996).

When a Lanham Act claim is brought within six years of the events triggering it, "there is no presumption of laches and the burden remains on the defendant to prove the defense." *Id.* Defendants' contention, which I accept solely for purposes of deciding the pending motion, is that plaintiffs first became aware of actionable counterfeiting in 2005. H&H Mem. 45; Novex Mem. 43. Plaintiffs commenced this action on March 31, 2008. Docket Entry 1. After a series of amendments, plaintiffs filed their Sixth Amended Complaint, the now-operative pleading, on May 12, 2009. Docket Entry 265. Even the later complaint was filed well within the applicable limitations period. Accordingly, the burden of establishing that plaintiffs inexcusably delayed bringing this action rests with defendants.

Defendants have not pointed to any evidence suggesting that they might be able to meet this burden. As noted above, plaintiffs brought this action within three years of the earliest possible date they may be said to have discovered any relevant infringement, and this is hardly a garden-variety case that a plaintiff might be expected to file shortly after learning of potential claims. The large volume of papers submitted in connection with plaintiffs' pending motion is but one indication of the magnitude and complexity of the case. Moreover, as discussed above, at or about the time they filed suit, plaintiffs obtained court approval in the United States and in foreign countries to seize offending product. Plaintiffs were required next to examine the seized products to determine whether they were genuine or counterfeit, and then to obtain various records to trace the source of any counterfeit packages. Clearly, then, plaintiffs needed to have their "ducks in a row" and to be ready to act promptly once they filed their complaint, or the mere commencement of the lawsuit would likely have led to the destruction of evidence. Finally, the documents cited above demonstrate that federal agencies were conducting an investigation for some time after plaintiffs' discovery in 2005, and that criminal charges were

under consideration. Plaintiffs were cooperating with the investigation, and a premature civil filing could have undermined it. For all these reasons, any delay by plaintiffs was reasonable, or at least not "inexcusable," and defendants' laches defense should therefore be rejected.

Defendants' assertions of waiver and acquiescence likewise fail. A defense of waiver is available "only if the plaintiff intentionally and knowingly waived its right to recovery." *Maxim Grp. LLC v. Life Partners Holdings, Inc.*, 690 F. Supp. 2d 293, 310 (S.D.N.Y. 2010). Acquiescence requires a showing that the plaintiff "actively represented that it would not assert a right or a claim." *Times Mirror Magazines, Inc. v. Field & Stream Licenses Co.*, 294 F.3d 383, 395 (2d Cir. 2002). Defendants are unable to point to any evidence that plaintiffs intentionally waived any rights or actively represented that it would not pursue its Lanham Act claims. I therefore conclude that defendants' affirmative defenses of unclean hands, laches, acquiescence, and waiver pose no obstacle to granting plaintiffs' motion for summary judgment.

III. Liability of Defaulting Defendants Midwest Drug and Dennis Gatscher

Plaintiffs assert claims against two defaulting defendants, Midwest Drug and Dennis Gatscher, who are respectively a Michigan corporation and a Michigan resident. Compl. ¶¶ 91-92. Because these defendants are not residents of New York, the question of whether they are amenable to jurisdiction here arises.

Although whether a court *must* do so is an open question, it is well-settled that "before a court grants a motion for default judgment, it may first assure itself that it has personal jurisdiction over the defendant." *City of New York v. Mickalis Pawn Shop, LLC*, 645 F.3d 114, 133 (2d Cir. 2011) (internal quotation marks and citation omitted). Moreover, "[a] non-appearing defendant does not, by defaulting, forfeit its right to challenge any ensuing default judgment for lack of personal jurisdiction;" rather, a defendant may ignore judicial proceedings

and challenge any ensuing default judgment in a collateral proceeding. *Id.* at 139. In light of the apparent lack of New York ties of these defendants, I consider the question of personal jurisdiction. [42]

The Second Circuit was called upon to analyze a question of personal jurisdiction in the context of trademark infringement claims in *Chloe v. Queen Bee of Beverley Hills*, LLC, 616 F.3d 158, 163-64 (2d Cir. 2010). The Court held in that case as follows:

> To determine personal jurisdiction over a non-domiciliary in a case involving a federal question, the Court must engage in a two-step analysis. First, we apply the forum state's long-arm statute. [If it] permits personal jurisdiction, the second step is to analyze whether personal jurisdiction comports with the Due Process Clause.

616 F.3d at163-64 (internal citations omitted).

New York's long-arm statute authorizes personal jurisdiction over non-residents under the following circumstances:

> As to a cause of action arising from any of the acts enumerated in this section, a court may exercise personal jurisdiction over any non-domiciliary, . . . who in person or through an agent:
>
> 1. transacts any business within the state or contracts anywhere to supply goods or services in the state; or
> 2. commits a tortious act within the state, . . .; or
> 3. commits a tortious act without the state causing injury to person or property within the state, . . . if he
>
> (i) regularly does or solicits business, or engages in any other persistent course of conduct, or derives substantial revenue from goods used or consumed or services rendered, in the state, or
> (ii) expects or should reasonably expect the act to have consequences in the state and derives substantial revenue from interstate or international commerce;

[42] J&J moved for a default judgment against defendants that were based in the Middle East in *Johnson & Johnson, et al. v. Azam International Trading, et al.*, 07-CV-4302 (SLT). In that case, I concluded that personal jurisdiction was proper pursuant to New York's long-arm statute, N.Y. C.P.L.R. § 302. Docket Entry 76, at 5-12, 07-CV-4302 (SLT). Judge Townes adopted my Report and Recommendation on August 9, 2013. Docket Entry 77, 07-CV-4302 (SLT).

N.Y. C.P.L.R. § 302(a) (McKinney 2013). A non-domiciliary defendant "transacts business under Section 302(a)(1) when it purposefully avails [itself] of the privilege of conducting activities within [New York], thus invoking the benefits and protections of its laws." *CutCo Indus., Inc. v. Naughton*, 806 F.2d 361, 365 (2d Cir. 1986) (internal quotations and citation omitted). A defendant need not have ever been physically present in New York to be subject to personal jurisdiction here pursuant to Section 302. *See Chloe v. Queen Bee*, 616 F.3d at 169.

Accordingly to the complaint, Midwest "is a national distributor of medical products and devices and regularly does business in the Eastern District of New York," Compl. ¶ 645, and Dennis Gatscher "is the moving, active and conscious force" behind the company, *id.* ¶ 92. J&J alleges that in 2005 and 2006, Midwest purchased counterfeit boxes of OneTouch test strips from Novex, Green Valley, and Med-Health. Compl. ¶¶ 46, 91, 427, 430-33, 640-44; J&J Mem. 72, 89-91. The factual record presented by the parties in connection with the plaintiffs' pending motion includes documentary evidence of these transactions, such as invoices and purchase orders, as well as testimony from the principals of Novex, Green Valley, and Med-Health. *See* Cantor Dep. 48-50, 184-88, 404-05, 430-45, 450-51, 478, 548-51, 813-14, 1057, 1065, Exs. 40, 41, 42, 47; Crowell Dep. 89-105, 113, 115-27, 129-35, Ex. 9, at NOV019509-510; Hattenbach Dep. 157-59, Potter 9/24/12 Decl. Exs. 148-50. Yet nowhere in their submissions do plaintiffs demonstrate or even contend that any of Midwest's relevant activities either occurred in New York or caused injury to any person or property in New York. For example, plaintiffs nowhere demonstrate that Midwest sold infringing boxes of test strips to customers in New York. Indeed, the only connection between the Midwest Defendants and New York I have been able to find in the voluminous record is that, according to Novex, some of the product it sold to Midwest passed through JFK airport. Cantor Dep. 47-48. This hardly constitutes even a prima facie showing

that Midwest did business here. Accordingly, plaintiffs have failed to establish personal jurisdiction under New York's long-arm statute.

Even if plaintiffs had satisfied the long-arm statute, any exercise of personal jurisdiction over the Midwest Defendants by this Court would be improper as a matter of due process. The Supreme Court recently clarified the nature of the minimum contacts with a forum state that are constitutionally required before personal jurisdiction may be exercised over a foreign defendant:

> For a [Court] to exercise jurisdiction consistent with due process, the defendant's suit-related conduct must create a substantial connection with the forum state. Two related aspects of this necessary relationship are relevant in this case. First, the relationship must arise out of the contacts that the defendant *himself* creates with the forum state. Due process limits on the State's adjudicative authority principally protect the liberty of the nonresident defendant – not the convenience of plaintiffs or third parties. We have consistently rejected attempts to satisfy the defendant-focused 'minimum contacts' inquiry by demonstrating contacts between the plaintiff (or third parties) and the forum State. . . . Second, our 'minimum contacts' analysis looks at the defendant's contacts with the forum State itself, not the defendant's contacts with persons who reside there. . . . [T]he plaintiff cannot be the only link between the defendant and the forum. Rather, it is the defendant's conduct that must form the necessary connection with the forum state that is the basis for its jurisdiction over him.

Walden v. Fiore, __ U.S. __, 134 S.Ct. 1115, 1121-22 (2014). Plaintiffs have not identified any conduct by defendants Midwest Drug or Dennis Gatscher creating contacts with New York. Accordingly, even if the state's long-arm statute were satisfied, due process would require this Court to refrain from exercising personal jurisdiction over these defendants. I therefore respectfully recommend that plaintiffs' motion for entry of a default judgment against defendants Midwest Drug and Dennis Gatscher be denied, and that plaintiffs' claims against these defendants be dismissed.

CONCLUSIONS

For the foregoing reasons, I respectfully recommend that:

1) plaintiffs' motion for summary judgment on their trademark infringement claims, brought under 15 U.S.C. § 1114(1)(a), and on their false description claims, brought under 15 U.S.C. § 1125(a)(1)(A), be granted against the Novex Defendants with respect to 116,736 counterfeit boxes of test strips; against the Green Valley Defendants with respect to 5,376 counterfeit boxes of test strips; against the MSI Defendants with respect to 90,604 counterfeit boxes of test strips; against the Cobra Defendants with respect to 456 counterfeit boxes of test strips; and against the H&H Defendants with respect to 20,244 counterfeit boxes of test strips;
2) plaintiffs' motion for summary judgment dismissing the affirmative defenses of unclean hands, laches, acquiesce, and waiver be granted;
3) plaintiffs' motion for summary judgment awarding enhanced statutory damages and permanent injunctive relief for willful infringement against the H&H Defendants be denied; and
4) plaintiffs' motion for entry of default judgments against the Midwest Defendants be denied, and their claims against the Midwest Defendants be dismissed.

Any objections to the recommendations made in this Report must be submitted within fourteen days after filing of the Report and, in any event, no later than April 14, 2014. *See* 28 U.S.C. § 636(b)(1); Fed. R. Civ. Proc. 72(b)(2). Failure to file timely objections may waive the right to appeal the District Court's order. *See Small v. Sec'y of Health & Human Servs.*, 892 F.2d 15, 16 (2d Cir. 1989) (discussing waiver under the former ten-day limit).

/s/
Steven M. Gold
United States Magistrate Judge

Dated: Brooklyn, New York
March 28, 2014

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