

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

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GUCCI AMERICA, INC., et al., :

Plaintiffs, :

-against- :

CURVEAL FASHION d/b/a REPLICASI.COM :
and SEMELUR.COM, et al., :

Defendants. :

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TO: HON. RICHARD J. SULLIVAN, UNITED STATES DISTRICT JUDGE
FROM: THEODORE H. KATZ, UNITED STATES MAGISTRATE JUDGE

Plaintiffs Gucci America, Inc., Balenciaga, S.A., and Balenciaga America, Inc. ("Plaintiffs") filed this action in October 2009 against Defendants Curveal Fashion, doing business as ReplicaSi.com and Semelur.com, Joseph Lee a/k/a Joe Yap, ABC Companies, and John Does ("Defendants"), for trademark infringement, false designation of origin, trademark counterfeiting, trademark dilution, unfair competition, and false and deceptive trade practices. (See Complaint, dated Oct. 5, 2009 ("Compl.")). The case was referred to this Court for general pretrial supervision.

On January 20, 2010, the District Court (Hon. Richard J. Sullivan) issued a default judgment against Defendants. See Gucci America, Inc. v. Curveal Fashion, No. 09 Civ. 8458 (RJS) (THK), 2010 WL 308303 (S.D.N.Y. Jan. 20, 2010). Thereafter, this Court ordered third-party United Overseas Bank Limited, Singapore ("UOB") to

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comply with a subpoena, dated November 5, 2009 (the "Subpoena"), and served on UOB's New York Agency in midtown Manhattan ("UOB NY"). See Gucci America, Inc. v. Curveal Fashion, No. 09 Civ. 8458 (RJS)(THK), 2010 WL 808639, at *8 (S.D.N.Y. Mar. 8, 2010) (the "Order"). Specifically, the Subpoena sought certain documents and information relating to Defendant Curveal Fashion's bank account maintained by United Overseas Bank (Malaysia) Berhad ("UOB Malaysia"), a wholly owned subsidiary of UOB. This Court initially ordered UOB to comply by March 22, 2010, but later extended the deadline to April 19, 2010. To date, UOB has not complied with the Order, and, in turn, the Subpoena.

Presently before the Court is a request by Plaintiffs that the Court "certify this matter to the District Court for contempt proceedings . . . and recommend that UOB should be held in contempt and required to pay compensatory sanctions, a daily coercive fine, and Plaintiffs' legal fees incurred in connection with this dispute." (See Letter to the Court from Robert L. Weigel, dated Apr. 26, 2010 ("April 26 Letter").) Both Plaintiffs and UOB have submitted several letters and accompanying documents to the Court in support of their respective positions, and on May 5, 2010, the Court held a telephone conference with the parties, at which UOB was provided an opportunity to further clarify its position.

In accordance with this Court's authority under 28 U.S.C. § 636(e)(6)(B)(iii), the Court certifies the following facts, and

recommends that the District Court hold UOB in civil contempt and impose a daily coercive fine, in an amount to be set by the District Court, until UOB complies with the Subpoena as directed in the Order.

BACKGROUND

Plaintiffs filed the Complaint on October 5, 2009. In short, Plaintiffs allege that Defendants were in the business of producing and selling counterfeit goods bearing Plaintiffs' trademarks. On October 23, United States District Judge Richard J. Sullivan issued a Preliminary Injunction that, among other things, restrained and enjoined any person or financial institution "who receive[s] actual notice of this order" from "transferring, disposing of, or secreting any money . . . or other assets of Defendants." (See Preliminary Injunction, dated Oct. 23, 2009 ("PI Order"), at 6.) In addition, Judge Sullivan directed that "any other third party receiving a subpoena pursuant to this Order shall produce documents responsive to such requests within ten (10) days of service." (Id. at 9.)

Following the issuance of the PI Order, Plaintiffs served a subpoena on the Royal Bank of Scotland WorldPay ("RBS WorldPay"). In response, RBS WorldPay produced documents showing that over the preceding 12 months Defendants had transferred approximately \$900,000 received from the sale of counterfeit goods to an account

in the name of Defendant Curveal Fashion held at UOB Malaysia.¹ UOB Malaysia is a wholly-owned subsidiary of UOB. (See UOB 2009 Annual Report at 107, attached to Letter to the Court from Robert L. Weigel, dated Apr. 30, 2010 ("April 30 Letter").) In addition, UOB's Annual Report states that it "has the power to govern the[] financial and operating policies" of its subsidiaries. (Id. at 80.)

In light of this corporate relationship, on November 5, 2009, Plaintiffs served the Subpoena on UOB NY, seeking certain documents and information regarding Defendants' Malaysian bank accounts. UOB refused to comply with the Subpoena on several grounds, but primarily asserted that doing so would violate banking secrecy laws in Malaysia. Plaintiffs contended, among other things, that Malaysian law does not negate UOB's obligation to comply with the Subpoena.

During the pendency of the parties' dispute over the relevance of Malaysian law to the Subpoena, Judge Sullivan issued a default judgment in favor of Plaintiffs in the amount of \$13.7 million, and a permanent injunction against Defendants. Judge Sullivan ordered that "all of Defendants' asset holders . . . who receive notice of

¹ Plaintiffs recently updated the Court that, in fact, between 2006 and 2009, Defendants transferred approximately \$3.2 million from RBS WorldPay to UOB Malaysia. (See Letter to the Court from Robert L. Weigel, dated Apr. 13, 2010 ("April 13 Letter").) The last known transaction occurred on October 5, 2009, the date Plaintiffs filed the Complaint.

this order . . . liquidate those of Defendants' assets . . . and pay the value of such Defendants' assets to Plaintiffs in partial satisfaction of the damages award." Gucci America, Inc., 2010 WL 308303, at *5. The Order further stated that "[t]his includes . . . any and all United Overseas Limited accounts that are associated with or utilized by [Defendants]." Id. Finally, the Order permanently enjoined "any person currently holding any other assets of Defendants . . . from transferring, disposing of, secreting, or otherwise paying or transferring into or out of any accounts associated with or utilized by any of Defendants any of Defendants' assets . . . without prior approval of the Court." Id. at *6.

After this Court heard argument from the parties regarding UOB's contention that Malaysian law prohibited disclosure of any records maintained there, the Court issued a lengthy Opinion with a detailed conflicts of laws analysis, and concluded that UOB must comply with the requests of the Subpoena by no later than March 22, 2010. See Gucci America, Inc., 2010 WL 808639, at *8. UOB did not appeal the decision or immediately request reconsideration. Instead, on April 12, 2010, nearly three weeks after compliance was due, and over one month after the Court issued the Order, UOB wrote to the Court requesting an extension of time within which to comply, and continued to argue that Malaysian banking laws hindered its ability to comply. (See Letter to the Court from Nicholas T. Donovan, dated Apr. 12, 2010 ("April 12 Letter").) Alternatively,

UOB requested that the Court reconsider its decision. As UOB's untimely request for reconsideration was based on nothing other than the same unsuccessful arguments it asserted prior to the Order, the Court denied the request, but granted UOB a final extension of time, until April 19, 2010, to comply with the Order. One week after the final deadline passed, Plaintiffs wrote to the Court to report that UOB had yet to comply with the Order, and to request that the Court certify the matter to the District Court for contempt proceedings. (See April 26 Letter at 1.)

As support for a finding of civil contempt, Plaintiffs cite the Order's clear and unambiguous terms that UOB respond to the Subpoena, UOB's failure to respond by the original March 22 date - or any other date thereafter agreed to by the parties, or set by the Court - and UOB's failure to reasonably and diligently attempt to comply with the Order. (See id. at 2.) Plaintiffs request that UOB "pay compensatory sanctions, a daily coercive fine, and Plaintiffs' legal fees incurred in connection with this dispute." (Id. at 1.)

In response, UOB argues that it has complied with the Court's Order, in that UOB NY - to whom the Subpoena was addressed - has no responsive documents in its possession (i.e., in New York). (See Letter to the Court from Nicholas T. Donovan, dated Apr. 28, 2010 ("April 28 Letter"), at 2.) UOB further contends that, "[t]o the extent the Court held that UOB has control over the documents

maintained by UOB-Malaysia," it has requested these documents, but UOB Malaysia has refused to comply absent the consent of the Central Bank of Malaysia ("the Central Bank").² (See id.) UOB also argues that it has made "reasonable, diligent, and energetic efforts" to comply, namely its requests to the Central Bank for permission to disclose the records. (See id. at 3-5.) Finally, UOB makes the incredible argument that the Order is not clear and unambiguous, and that Plaintiffs have failed to present clear and convincing evidence of UOB's non-compliance. (See id. at 5-6.)

UOB recently supplemented its submissions to the Court with an affidavit from UOB NY's Senior Vice President and General Manager, claiming that neither UOB nor UOB NY has "the authority to compel UOB Malaysia to produce the documents and information responsive to the requests of Plaintiff's Subpoena." (Affidavit of Kok-Jin Koh, dated May 4, 2010 ("Koh Aff."), ¶ 4.) Mr. Koh further attests that UOB NY "is not permitted to interfere with the day-to-day operations of UOB-Malaysia to produce documents and information, particularly if production is in violation of Malaysian law." (Id. ¶ 5.)

DISCUSSION

A court may hold a party in contempt for its failure to comply

² Under the Malaysian Banking and Financial Institutions Act 1989 ("BAFIA"), disclosure is permitted upon the written consent of the Central Bank. See BAFIA § 99(1).

with a court order if "(1) the order the contemnor failed to comply with is clear and unambiguous; (2) the proof of non-compliance is clear and convincing; and (3) the contemnor has not diligently attempted to comply in a reasonable manner." Paramedics Electromedicina Commercial, Ltda. v. GE Med. Sys. Info. Techs., Inc., 369 F.3d 645, 655 (2d Cir. 2004) (citation omitted); see also Nolan v. Primagency, Inc., No. 07 Civ. 134 (RJS), 2008 WL 650387, at *1 (S.D.N.Y. Mar. 3, 2008). "It need not be established that the violation was willful." Paramedics, 369 F.3d at 655 (citing Donovan v. Sovereign Sec. Ltd., 726 F.2d 55, 59 (2d Cir. 1984)). Where, as here, a civil contempt order is sought to secure compliance with a court order, a court "has broad discretion to design a remedy that will bring about compliance." Id. at 657.

I. The Order is Clear and Unambiguous

UOB contends that the Order is not clear and unambiguous. (See April 28 Letter at 5-6.) In support, UOB points to this Court's conflicts of law analysis in the Order, in which the Court concluded that two of seven factors weighed in favor of UOB. Yet, the Court also concluded that these two factors were "insufficient to overcome those factors weighing in favor of disclosure." Gucci America, Inc., 2010 WL 808639, at *8. Thus, the Order left no doubt as to the Court's determination that UOB must respond to the Subpoena, despite the existence of two factors weighing in favor of UOB.

UOB also argues that the Order is ambiguous in that the Subpoena was directed at UOB, and not UOB Malaysia. The Order clearly and unambiguously required UOB to produce "all documents and information responsive to the requests of the Subpoena [by March 22, 2010]. This includes all documents located abroad, including but not limited to documents maintained by UOB Malaysia, the subsidiary of UOB." Gucci America, Inc., 2010 WL 808639, at *8. Further, the parties' submissions prior to the issuance of the Order related primarily to UOB's ability and authority to compel the production of documents located in Malaysia. And, Plaintiffs have made abundantly clear that they are seeking the bank records for Defendant Curveal Fashion located in Malaysia. Thus, UOB cannot now argue that it was unaware that the Order required such a production. To do so serves only to underscore UOB's dilatory tactics that have persisted throughout these proceedings.

Although couching its argument in terms of the clarity of the Order, in truth, UOB appears to be making an impossibility argument, in that UOB purportedly has no authority to compel UOB Malaysia to act. UOB NY's Senior Vice President and General Manager claims that UOB NY "is not permitted to interfere with the day-to-day operations of UOB-Malaysia to produce documents and information." (See Koh Aff. ¶ 5.) Plaintiffs, however, have submitted evidence to the Court that UOB, by its own admission, "has the power to govern the[] financial and operating policies" of

UOB Malaysia, and this would presumably encompass ordering the production of documents. (See UOB 2009 Annual Report, at 107.) The Court has no doubt that had UOB been ordered to produce documents from its Malaysian subsidiary that did not put UOB at risk under Malaysian law, there would be no claim of inability.

In any event, the conflict with Malaysian law is precisely what this Court has addressed in determining that UOB's obligations under United States law are controlling. In doing so, the Court rejected UOB's inability argument as "simply wrong as a matter of law." See Gucci America, Inc., 2010 WL 808639, at *7 (stating that "a parent company doing business in New York is required to produce documents held by its subsidiary, even if located overseas"). "Once a court has issued an order, the validity of that order may not be relitigated." United States v. Chase Manhattan Bank, N.A., 590 F. Supp. 1160, 1163 (S.D.N.Y. 1984) (citing United States v. Rylander, 460 U.S. 752, 103 S. Ct. 1548 (1983)). "[A] contempt proceeding does not open to reconsideration the legal and factual basis of the order alleged to have been disobeyed and thus become a retrial of the original controversy." Id. (quoting Rylander, 460 U.S. at 756, 103 S. Ct. at 1552).

II. UOB Has Not Complied With the Order

Next, UOB argues that it has complied with the Order, because it "timely responded [to the Subpoena] by advising Plaintiff that UOB does not maintain any documents in its possession that are

responsive to the Subpoena." (April 28 Letter at 2.) UOB further contends that Defendants "were not, and never have been, customers of UOB." (Id.) In this context, UOB is addressing only those documents located in New York or Singapore, and not any documents maintained by UOB Malaysia. The Court does not question UOB's statements about the non-existence of documents at UOB's New York or Singapore office.

Nevertheless, the Order was issued in response to Plaintiffs' request that the Court compel UOB to produce documents in the possession of its wholly-owned subsidiary, UOB Malaysia. And, that is exactly what the Court directed in the Order. Therefore, unless and until UOB produces those documents, it has not complied with the Order.

Moreover, the Order required compliance by March 22. Rather than appeal the Order or immediately request reconsideration, UOB continued to stand behind Malaysian banking laws as a shield to production. Nearly three weeks after compliance with the Order was due, UOB finally contacted the Court to seek an extension of time. (See April 12 Letter at 1.) In doing so, UOB essentially reargued the merits of the Order, stating that the Central Bank refused to consent to the release of the bank records, and without consent, UOB could not comply with the Order. UOB's April 12 Letter evinces its full understanding of the parameters of the Order, including the fact that without producing documents in Malaysia, UOB is not

in compliance. Yet, to date, despite the extension granted by the Court, UOB has not complied.

III. UOB's Efforts at Compliance

Finally, UOB contends that it has made "reasonable, diligent, and energetic efforts" to obtain the banking records requested by the Subpoena. (See April 28 Letter at 4.) Specifically, UOB points to its several requests of the Central Bank to permit disclosure. Prior to the issuance of the Order, UOB requested authorization from the Central Bank, but the Central Bank denied the request. The Central Bank stated that it was "unable to consider the request," and "remind[ed] [UOB Malaysia] to ensure it has exhausted all means before seeking approval" from the Central Bank. See Gucci America, Inc., 2010 WL 808639, at *4. UOB did not indicate then, nor does it now, what the Central Bank meant by "exhaust[] all means."

After the issuance of the Order, UOB again requested authorization from the Central Bank to release the requested Malaysian banking records. On March 26, 2010 - four days after the Order directed compliance - UOB Malaysia and its legal counsel met with the Central Bank to discuss the request. (See April 28 Letter at 4.) UOB has not informed the Court as to the substance of these discussions, such as the Central Bank's view on the effect of the Order, and the likelihood of the imposition of fines under BAFIA if UOB complied with the Order without the consent of the Central

Bank. In any event, the Central Bank advised UOB Malaysia at the conclusion of the March 26 meeting that it would issue a decision within one week. The Central Bank has yet to respond to UOB's request for authorization. UOB contends that it has repeatedly followed up with the Central Bank, but has received no decision.

While disclosure with consent of the Central Bank would serve to alleviate UOB's concerns about its obligations under BAFIA, the Court must only consider UOB's good faith efforts to comply with the Order, not Malaysian law. The Order did not purport to direct disclosure contingent upon strict compliance with BAFIA. In fact, the Order did just the opposite, ordering disclosure *in spite of* BAFIA. See Gucci America, Inc., 2010 WL 808639, at *7 (concluding that "the United States interest in fully and fairly adjudicating matters before its courts, including the enforcement of judgments, outweighs Malaysia's interest in protecting the confidentiality of its banking customers' records"). Thus, UOB may not rely on the obstacles of BAFIA to argue that it has acted diligently in attempting to comply with the Order. See Marc Rich & Co., A.G. v. United States, 736 F.2d 864, 866-67 (2d Cir. 1984) (finding contemnor "barred from relying on Swiss law or orders of the Swiss Government as an excuse for its noncompliance with the subpoena" after motion to vacate order of contempt denied).

As further evidence of its purported good faith efforts to comply with the Order, UOB notes that it has offered Plaintiffs an

alternative avenue through which they might seek the requested documents, namely the filing of an unopposed action in Malaysian courts. Plaintiffs have rebuffed UOB's proposal. In Plaintiffs' view, "[a] rejected settlement offer does not cure UOB's contempt." (April 30 Letter at 2.) The Court agrees.

Lastly, UOB argues that it has preserved all of Defendants' banking records in Malaysia and frozen the Malaysian accounts, in accordance with Judge Sullivan's January Order. As a result, UOB appears to suggest that the delay in production does not prejudice Plaintiffs. Plaintiffs, however, obtained a \$13.7 million judgment against Defendants months ago, and UOB's refusal to timely respond to the Subpoena has stymied Plaintiffs' efforts at collection. Plaintiffs have spent considerable time and money tracing Defendants' assets, learning that over \$3 million passed through Defendant Curveal Fashion's bank accounts at UOB Malaysia since 2006. But, until Plaintiffs receive the underlying records from Malaysia, they are unable to further track the location of Defendants' profits from the sale of counterfeit goods. Thus, UOB's delayed production and this prolonged litigation has undoubtedly prejudiced Plaintiffs.

Accordingly, the Court cannot conclude that UOB has made good faith efforts to comply with the Order.

* * * *

The Court is mindful of the difficult situation in which UOB

finds itself. If UOB complies with the Order, it must neglect BAFIA; if UOB refuses disclosure because of BAFIA, it violates the Order. But, it is this very conundrum that brought the parties before this Court nearly six months ago to resolve their discovery dispute. After hearing the arguments of the parties, this Court ordered disclosure. UOB, however, has yet to comply with the Order for the same reason it refused to comply with the Subpoena in November 2009 - a justification that this Court rejected in the Order. UOB now finds itself facing contempt "due to its having chosen to do business in a jurisdiction in which the laws are at odds with those of its home jurisdiction. In this situation, the bank must either surrender to one sovereign or the other in return for the privileges it receives or alternatively . . . accept the consequences." Chase Manhattan Bank, 590 F. Supp. at 1163 (internal quotation marks and citations omitted).

CONCLUSION

Pursuant to this Court's authority under 28 U.S.C. § 636(e)(6)(B)(iii), the Court certifies the above facts to the District Court. In sum, UOB received the Subpoena pursuant to the District Court's PI Order on November 5, 2009. In January 2010, the District Court further directed UOB - identified specifically in the Court's Opinion and Order - to turn over to Plaintiffs any

of Defendants' assets in their possession.³ The District Court also permanently enjoined UOB from transferring or otherwise disposing of Defendants' assets.

The Order, issued by this Court on March 8, 2010, clearly and unambiguously directed UOB to produce all documents responsive to the Subpoena by March 22, 2010, including documents held at its wholly-owned subsidiary, UOB Malaysia. To date, UOB does not purport to have produced any documents maintained by UOB Malaysia. Thus, it is clear that UOB has not complied with the Order. UOB's only efforts at compliance consist of its communications with the Central Bank seeking authorization for disclosure under Malaysian law. As this Court has already considered and rejected the prohibitions in Malaysian law as controlling UOB's discovery obligations, these efforts have no bearing on the instant contempt proceedings.

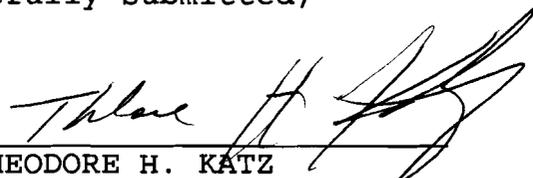
Accordingly, the Court recommends that the District Court hold UOB in contempt, and direct it to pay a daily coercive fine, in an amount to be set by the District Court, until UOB has fully complied with the Order.⁴ Because UOB has attested to the

³ To the Court's knowledge, this has not yet occurred. However, neither party has requested this Court's intervention regarding that portion of the District Court's Order. See Gucci America, Inc., 2010 WL 808639, at *2 n.3.

⁴ Courts in the Southern District of New York have found fines of \$5,000 to \$10,000 per day appropriate to demand compliance by a third-party bank in similar circumstances. See,

preservation of the Malaysian banking records and the freezing of Defendants' accounts at UOB Malaysia (see April 12 Letter at 2), the Court does not recommend any additional sanctions at this time.

Respectfully submitted,



THEODORE H. KATZ
UNITED STATES MAGISTRATE JUDGE

Dated: May 13, 2010
New York, New York

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e.g., Ssangyong v. Vida Shoes Int'l, Inc., No. 03 Civ. 5014 (KMW) (DFE), 2004 WL 1125659, at *13 (S.D.N.Y. May 20, 2004); Chase Manhattan Bank, 590 F. Supp. at 1163.