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May 26, 2016

ECF

Hon. Loretta A. Preska
Chief United States District Judge
Daniel Patrick Moynihan United States Courthouse
500 Pearl Street
New York, N.Y. 10007

Re: Omega SA v. Xie Zhenmin, et al. – 12 Civ. 9338 (LAP)

Dear Chief Judge Preska:

Our firm represents Plaintiff Omega SA in this trademark counterfeiting action. By Order filed May 12, 2016 (ECF No. 29), the Court reassigned this civil action from Judge Scheindlin to Your Honor and instructed us to inform the Court by letter "of the steps necessary to resolve the matter."

PROCEDURAL BACKGROUND

In certain respects, this case is similar to a case that was before Your Honor in 2013, Rolex Watch U.S.A., Inc. v. Replicastoreonline.webs.com, 11 Civ. 1488, 2013 U.S. Dist. LEXIS 137100 (S.D.N.Y. Jul. 26, 2013) (Freeman, M.J.), report and recommendation adopted, 2013 U.S. Dist. LEXIS 136531 (Sep. 24, 2013) (Preska, J.) (upon entry of default judgment against defendants, court awarded damages to owner of ROLEX trademark against persons who had operated websites that sold "replica" – that is, counterfeit – ROLEX brand watches).

The plaintiff in the present case – Omega SA – manufactures and distributes watches under the OMEGA trademark. Defendants are 31 persons and entities from China who sold counterfeit "Omega" watches from some 29 websites. Plaintiff filed suit against defendants for trademark infringement in December 2012. After authorizing substitute service by email (ECF Nos. 2 - 6, filed under seal),[1] Judge Scheindlin granted Plaintiff's applications for a Temporary Restraining Order (Dec. 21, 2012), Preliminary Injunction (Feb. 25, 2013), and a Default

[1] The court also directed Plaintiff to post all served documents on the website http://www.notice-lawsuit.com. All documents in this case are posted to that website.

Judgment and Permanent Injunction (Aug. 20, 2013, the "Default Judgment"). See ECF Nos. 7, 26.

In applying for the Default Judgment, Plaintiff presented evidence that tied defendants and their illegal websites to approximately 30 bank accounts (the "Accounts") maintained at five different banks based in China (collectively, "Banks").[2] ECF Nos. 24, 25. The Default Judgment directed the Banks to locate and freeze the Accounts and, as part of Plaintiff's damages-related discovery, to turn over to Plaintiff's counsel various categories of documents relating to the Accounts' owners, transactions, and the like. ECF No. 26, ¶¶ 2(d) – (j). The Default Judgment also provided that, "[f]ollowing completion of Plaintiff's discovery on damages, Plaintiff shall submit to the Court a request for entry of Final Judgment, which shall include any demand by Plaintiff for damages and attorney's fees." Id., ¶ 5.

We served the Default Judgment on each of the Banks at their New York branch offices in early September 2013. In substance, the Banks told us that they had no funds or documents pertaining to the Accounts in New York. As for any funds or documents that might exist in the China, the Banks told us (again, in substance) among other things that this Court did not have the authority to direct a Chinese bank to restrain assets or produce documents that might be present in China. See, e.g., Letter from Dwight A. Healy of White & Case, representing China Merchants Bank, dated Sep. 27, 2013 (attached to this letter as Exhibit 1).

As we explained in our April 27, 2016 letter to Judge Scheindlin (ECF No. 28), in late 2013 the Second Circuit was considering an appeal by non-party Bank of China ("BOC") from Judge Sullivan's order holding BOC in civil contempt for failing to turn over documents associated with defendants' bank account and to restrain any transactions involving those accounts in Gucci Am., Inc. v. Li, 11 Civ. 3934, 2012 U.S. Dist. LEXIS 171520 (S.D.N.Y. Nov. 15, 2012). Among other issues, that case concerned the extent of a district court's power to enforce discovery and asset freeze orders against a non-party Chinese bank in the context of a trademark counterfeiting action. We awaited the Second Circuit's decision in Gucci, which appeared likely to decide this same issue, before taking further steps to enforce Judge Scheindlin's Order against the Banks.

STEPS NECESSARY TO CLOSE OUT THIS MATTER

Plaintiff would like to accomplish two objectives before the Court closes its file on this case.

First, as contemplated by the Default Judgment (ECF No. 26), Plaintiff would like to conduct damages-related discovery from the Banks. The Second Circuit's decision in Gucci v. Bank of China, 768 F.3d 122 (2d Cir. 2014), together with Judge Sullivan's decisions on

[2] The Banks are Industrial and Commercial Bank of China; China Construction Bank; China Merchants Bank; Bank of Communications, Ltd.; and Agricultural Bank of China, Ltd.

remand,[3] appear to have resolved in Plaintiff's favor the Banks' objections to complying with Judge Scheindlin's asset freeze and discovery orders. (In a letter to Judge Sullivan dated April 8, 2016, Gucci's counsel informed the court that BOC had turned over the requested documents. See ECF No. 210 in 10 Civ. 4974.)

Toward that end, we respectfully request that the Court establish a 90-day period during which we may negotiate with the Banks and try to resolve the various open issues of document production and asset restraint.[4] At the end of this 90-day period, we would then file a status report with the Court and that would propose the next series of steps – most likely, a proposed briefing schedule or other plan (1) to resolve any remaining disputes between Plaintiff and the Banks over compliance with the Default Judgment or (2) for Plaintiff to apply to the Court for entry of Final Judgment, damages, and ancillary relief against defendants.

Once the damages discovery has been completed, and again as contemplated by the Default Judgment (ECF No. 26), Plaintiff will apply to the Court for a Final Judgment that will contain a money judgment against defendants – most likely, statutory damages under 15 U.S.C. § 1117(c)). See e.g., Tiffany (NJ) LLC v. Forbse, 2015 U.S. Dist. LEXIS 129647, at *8 (S.D.N.Y. Sep. 22, 2015) (awarding trademark owner $26.5 million against defendants who had defaulted in answering complaint for trademark counterfeiting); Rolex Watch, 2013 U.S. Dist. LEXIS 137100 (awarding statutory damages under similar circumstances). As part of the final judgment, Plaintiff will seek an Order directing the Clerk of the Court to return $10,000 that Plaintiff deposited into court in 2012 to secure the Temporary Restraining Order, as well as an Order authorizing our law firm to release from escrow and pay to Plaintiff moneys ($59,990.15) PayPal turned over.

Respectfully submitted,

Joshua Paul

SO ORDERED
Loretta A. Preska
LORETTA A. PRESKA
UNITED STATES DISTRICT JUDGE
6/7/16

[3] On remand, Judge Sullivan held that the court had specific jurisdiction over BOC under New York's long arm statute, that the court's exercise of jurisdiction over BOC was consistent with constitutional due process and principles of international comity. Gucci Am., Inc. v. Li, 2015 U.S. Dist. LEXIS 131567 (S.D.N.Y. Sep. 29, 2015) (ordering BOC to produce account documents maintained in China), later proceeding, 2015 U.S. Dist. LEXIS 160842 (S.D.N.Y. Nov. 30, 2015) (holding BOC in civil contempt of court).

[4] We anticipate it may take us several weeks to fully engage the Banks in a dialog. To date, White & Case has represented three of the five Banks, but both attorneys on the file have left the firm. We will send a copy of this letter to the firm and to the attorneys at their respective new law firms.

EXHIBIT 1

WHITE & CASE

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September 27, 2013

RECVD by mail 10/3/13
DKT 1
DKT 2

VIA E-MAIL AND U.S. MAIL

Jeffrey A. Lindenbaum, Esq.
Collen IP
80 South Highland Avenue
Ossining-on-Hudson, NY 10562

Re: Omega SA v. Xie Zhenmin, et al., 12 cv 9338 (SAS)

Dear Mr. Lindenbaum:

I write in response to your letter, dated September 9, 2013 ("Letter"), delivered to the New York Branch of China Merchants Bank ("CMBNY"), attaching the Default Judgment, Permanent Injunction and Order Compelling Damages Discovery and Asset Freeze entered in the above action on August 20, 2013 (the "Order").

Please be advised that CMBNY has informed us that it has no accounts listed in paragraph 2(d) of the Order.

Please be further advised that CMBNY does not have information about accounts, if any, located outside of New York. Moreover, CMBNY disputes the assertion in letter that the Order by its terms actually extends to assets or information located outside of New York, or that there is authority for the issuance of a restraint that reaches assets or accounts, if any, that may be held at branches or offices of CMB outside New York. Among other things, under the separate entity rule, the New York branch of a global bank cannot be ordered to restrain assets located in the bank's foreign branches or head office. See, e.g., Shaheen Sports, Inc. v. Asia Ins. Co., Nos. 98-cv-5951(LAP) and 11-cv-920(LAP), 2012 WL 919664, at *8 (S.D.N.Y. Mar. 14, 2012); Global Tech., Inc. v. Royal Bank of Can., No. 150151/2011, 2012 WL 89823, at *3 (N.Y. Sup. Ct. Jan. 11, 2012); Samsun Logix Corp. v. Bank of China, 31 Misc. 3d 1226(A), 929 N.Y.S.2d 202 (N.Y. Sup. Ct. 2011). Moreover, CMB would not be able to comply with a restraint issued by a U.S. court in China without subjecting itself and its employees to civil liability, fines and sanctions under Chinese law. Pursuant to principles of comity, courts in this Circuit have refused to enforce orders that require international banks to act in violation of the law of a foreign jurisdiction. See, e.g., Trade Dev. Bank v. Cont'l Ins. Co., 469 F.2d 35, 41 (2d Cir. 1972); In re

Chase Manhattan Bank, 297 F.2d 611, 613 (2d Cir. 1962); Tiffany v. Andrew; Minpeco, S.A. v. Conticommodity Serv., Inc., 116 F.R.D. 517, 523 (S.D.N.Y. 1987).

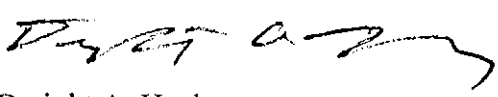
We also note that your Letter makes reference to the discovery provision in the Order, which you assert requires nonparty banks such as CMBNY to produce certain records to the Plaintiff within twenty one (21) days. CMBNY interprets this provision as providing for a time to respond to a subpoena issued under Rule 45 of the Federal Rules of Civil Procedure, and not to impose some requirement in addition to or different from the provisions for nonparty discovery set forth in Rule 45. To the extent that the Order purports to impose some additional or different obligation with respect to discovery on a nonparty, beyond what is authorized by Rule 45, the Order is unauthorized by, and in contravention of, the Federal Rules of Civil Procedure governing nonparty discovery and is facially invalid. Nothing in the rules empowers a court to disregard or override the procedures and protections set forth in Rule 45, and we are not aware of any authority that would allow a district court to do so. Rule 34, which provides for document discovery from parties, states explicitly that document discovery from nonparties shall be obtained under Rule 45.

In addition, Plaintiff is not entitled to any discovery via the Order or a subpoena as to any accounts located outside New York. The Second Circuit has recognized the practical lack of control of a New York office of a foreign bank over documents contained in the head office or branches located abroad militates against a direction that the bank produce documents located abroad on the basis of the presence of a New York office. See, e.g., Ings v. Ferguson, 282 F.2d 149, 151- 152 (2d Cir. 1960). Further, in light of the fact that Chinese law prohibits disclosure of information located in China in response to a U.S. court order, courts in the Southern District of New York that have considered the issue of whether to require a nonparty Chinese bank to produce information about accounts in China have held that any such discovery should be sought pursuant to a request under the Hague Evidence Convention. See Tiffany (NJ) LLC, et al. v. Qi Andrew, et al., 276 F.R.D. 143 (S.D.N.Y. 2011), *aff'd* Nov. 14, 2011; Tiffany (NJ) LLC v. Forbse, No. 11 Civ. 4976, 2012 WL 1918866, 1 (S.D.N.Y. May 23, 2012).

Subject to such objections please be advised that CMBNY does not have any information that would be responsive to the discovery provision that Plaintiff relies on in the Order.

CMBNY expressly preserves any and all other objections to any discovery or restraint the Plaintiff purports to seek via the Order.

Very truly yours,



Dwight A. Healy

DAH:kk