UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF NEW YORK

Ronald D. Coleman (RC 3875)
Joel G. MacMull (JM 8239)
GOETZ FITZPATRICK LLP
One Penn Plaza, Suite 4401
New York, NY 10119
(212) 695-8100 Phone
Attorneys for S&L Vitamins, Inc. and Larry Sagarin

S & L VITAMINS, INC., Plaintiff, - vs. – AUSTRALIAN GOLD, INC., Defendant.	CIVIL ACTION NO. 05-CV-1217 (JS) (MLO) **S&L VITAMINS, INC.'S AND LARRY SAGARIN'S PROPOSED <u>JURY INSTRUCTIONS</u>**
AUSTRALIAN GOLD, INC., Third Party Plaintiff, - vs. – LARY SAGARIN AND JOHN DOES 1-10, Third Party Defendants.	

Plaintiff and counterclaim defendant S&L Vitamins, Inc. and counterclaim defendant Larry Sagarin, (jointly "S&L") hereby respectfully submit their Proposed Jury Instructions:

TORTIOUS INTERFERENCE WITH CONTRACT

Australian Gold claims that S&L tortiously interfered with the contracts between it and its distributors which prohibit its distributors from selling Australian Gold Product to someone who anyone other than a tanning salon. The law is that a person who, with knowledge of the existence of a contract, intentionally and without justification induces one of the contracting parties to breach the contract, is responsible to the other party to the contract for any damage caused by his or its conduct.

Contract breach. As a preliminary matter, Australian Gold has the burden of establishing by a preponderance of the evidence that (a) it had a contract with one or more specific distributors (b) prohibiting distributors from selling Australian Gold Products to persons who were not retail tanning salon owners, and (c) such contract or contracts were actually breached by those distributors.

If you find that Australian Gold has met its burden of proof as to these three things, you must determine whether S&L knowingly induced this breach of contract, and caused damaged to Australian Gold as a result. I will explain what each of these concepts entails.

Knowledge. In order for you to find that S&L intentionally induced a distributor to breach a contract, you have to find that S&L knew, not the contract's specific details, but (a) that a person or company was a distributor and that (b) that distributor had a contract with Australian Gold that included those terms of the contract – making sales to non-salon-owners – that Australian Gold says were breached.

Inducement. An act induces the breach of a contract if it is what the law calls the "proximate" cause of the breach, meaning it is the main factor in causing that breach. The act must be "intentional" to be inducement, meaning it is done with the main purpose of inducing

the breach of contract, and not with the main purpose of S&L's immediate economic self-interest.

Therefore, Australian Gold has the burden of establishing by a preponderance of the evidence that:

(1) It had a contract with one or more specific distributors that prohibited distributors from selling Australian Gold Products to persons who were not retail tanning salon owners;

(2) S&L was aware that Australian Gold had such contract or contracts with its distributors, and knew what persons or companies were Australian Gold distributors;

(3) S&L induced one or more distributors to breach one or more terms of such a contract or contracts;

(4) one or more distributors breached their contracts with Australian Gold;

(5) S&L's act was a substantial factor in causing the breach of the contract; and, additionally, that

(6) Australian Gold suffered damage as a result.

If you find that Australian Gold has proved all these factors, S&L may still not have committed tortuous interference with contract if it can show that its acts were justified and not committed maliciously.

Justification. In order to decide whether S&L's conduct was justified, you should consider the nature of the rights interfered with, the relation between S&L and the parties to the underlying contract, the interests that S&L sought to protect, and the social interests involved. In other words, you must weigh whether plaintiff S&L's interests are equal to or superior to the Australian Gold's interests.

Malice. If you decide that S&L's conduct was justified, as I have explained that term to you, then you must next consider whether Australian Gold has nonetheless established that S&L went beyond merely competitive acts and acted with malice or used wrongful means. "Malice" means that S&L acted with the sole purpose of injuring Australian Gold. S&L's economic motivation for developing its own business and therefore seeking to make a profit does not constitute malice. "Wrongful means" are defined as physical violence, fraud or misrepresentation, civil suits and criminal prosecutions, or some degree of economic pressure; they do not, however, include persuasion alone, even if it is knowingly directed at interference with the contract.

If you find that the S&L acted with malice or used wrongful means in taking its actions, then you will find for Australian Gold on this issue. If you find that S&L did not act with malice and that S&L did not use wrongful means, but was instead only motivated for economic reasons, then you will find for S&L on this issue.

Authorities: PJI 3:56 SV and See NY PJI 3:56 citing *Foster v. Churchill*, 87 NY2d 744, 642 NYS2d 583, 665 NE2d 153 (1996); *Felsen v Sol Café Mfg. Corp*., 24 NY2d 682, 301 NYS2d 610. 249 NE2d 459 (1969); *Trorenzano Group, LLC v. Burnham*, 26 AD3d 242, 810 NYS2d 42 (1st Dep't 2006); *Conversion Equities, Inc. v. Sherwood House Owners Corp.*, 151 AD2d 635, 542 NYS2d 703 (2d Dep't 1989) (the means employed to effect the interference must be wrongful and not incidental to some other, lawful purpose. See also, Designer Skin, LLC v. S & L Vitamins, Inc., 560 F. Supp. 2d 811, 826 (D. Ariz., 2008); *Benjamin Goldstein Productions, Ltd. v. Fish*, 198 A.D.2d 137, 603 N.Y.S.2d 849, 851 (1st Dep't 1993) (conduct only actionable if done "without justification, for the sole purpose of harming the plaintiffs"); *Don King Productions, Inc. v. Douglas*, 742 F.Supp. 741, 775 (S.D.N.Y. 1990) (knowledge required of specific third party; inducement must be proximate cause); *Benton v. Kennedy –Van Saun Mfg. & Eng'g Corp*., 2 A.D. 2d 27, 152 N.Y.S.2d 955 (1st Dep't 1956) (economic self-interest is a defense); *NBT Bancorp Inc. v. Fleet/Norstar Financial Group, Inc*., 87 N.Y.2d 614, 664 N.E.2d 492, 641 N.Y.S.2d 581 (1996) (wrongful means includes "physical violence, fraud or misrepresentation, civil suits and criminal prosecutions, and some degree of economic pressure; they do not, however, include persuasion alone although it is knowingly directed at interference with the contract") .

TRADEMARK INFRINGEMENT AND UNFAIR COMPETITION

Unfair Competition Under 15 U.S.C. §1125(a)(1)(A) (Selling & Distributing)

Defendant Australian Gold alleges a claim for unfair competition under Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a)(1)(A), for the sale and distribution of Australian Gold's Products over the Internet using Australian Gold's trademarks.

Australian Gold is claiming that S&L infringed a number of its trademarks. You may find that S&L infringed all the Australian Gold trademarks that will be on the list you will take to the jury room, some of them but not others, or none of them at all.

Section 43(a) of the Lanham Act imposes civil liability on

> (1) Any person who, on or in connection with any goods...uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, or false or misleading description of fact, or false or misleading representation of fact, which 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.

In order to prevail on an unfair competition claim under Section 43(a)(1) of the Lanham Act, Australian Gold must prove, by a preponderance of the evidence, each of the following elements for each trademark you find infringed:

(1) that Australian Gold is the owner of that trademark;

(2) that S&L used that trademark in commerce in connection with the sale, offering for sale, distribution, or advertising of goods; and

(3) that S&L's use of that trademark is likely to cause confusion, mistake, or deceive consumers.

In order for Australian Gold to prevail on this claim for a given trademark, it must meet its burden of proof on the above three factors with regard to that trademark. The parties have

already stipulated to the ownership by Australian Gold of the trademarks it is claiming were breached in this case, so you need not consider the element (1). You do need to determine, however, whether S&L's actions constituted "use" of the specific Australian Gold trademarks, as in the second factor.

Likelihood of Confusion. To find infringement, you need to find, for each or any of the Australian Gold trademarks, that Australian Gold has proved, by a preponderance of the evidence, that S&L's use of that trademark is likely to cause confusion, mistake, or deceive consumers. This factor is called "likelihood of confusion."

In order to determine whether S&L's use of each of the Australian Gold trademarks would result in a likelihood of confusion, you must consider the following factors. Because Australian Gold does not claim that S&L used similar trademarks to those of Australian Gold, but rather that S&L used the actual Australian Gold trademarks to sell genuine merchandise – but that S&L's use was likely to confuse consumers about who was selling this merchandise – the only relevant factors are:

(1) the sophistication of consumers in the relevant market, that is, the market for indoor tanning lotion, as demonstrated by Australian Gold by a preponderance of the evidence;

(2) whether Australian Gold proved, by a preponderance of the evidence, actual consumer confusion as to the source of products bearing that particular trademark; and

(3) whether Australian Gold proved, by a preponderance of the evidence, that S&L used that particular trademark in selling Australian Gold Products in bad faith.

Your analysis of these factors is not mechanical, but rather, focuses on the ultimate question of whether, looking at the products and the use of the trademarks in their totality, consumers are likely to be confused.

Damages. Finally, if you find, with respect to each of the trademarks on the list you will take with you to the jury room, that S&L did infringe them, you must determine whether Australian Gold was (a) damaged by S&L actions and, if so (b) in what amount.

Australian Gold bears the burden of proving, by a preponderance of the evidence, what its actual trademark damages are as a result of S&L's actions. Australian Gold must prove these damages using some reasonable basis of computation, even though the proof need not come to an exact amount. Australian Gold cannot meet this burden merely by showing that S&L made a profit. Australian Gold must show, by a preponderance of the evidence, some logical connection from S&L's actions to its own lost sales, and some logical basis for determining the amount of those lost sales.

Authorities: 15 U.S.C. § 1117(a); 15 U.S.C. § 1125(a)(1)(A); *Polaroid Corp. v. Polarad Electronics, Corp.*, 287 F.2d 492 (2d Cir. 1961); *Nora Beverages, Inc. v. Perrier Group of Am., Inc.*, 269 F.3d 114, 119 (2d Cir. 2001) (relevant factors for likelihood of confusion); *Essence Communications, Inc. v. Singh Industries, Inc*. 703 F.Supp. 261 (S.D.N.Y. 1988) (absent proof of actual confusion, "the "failure to offer a survey showing the existence of confusion is evidence that the likelihood of confusion cannot be shown"); *Genesee Brewing Co. v. Stroh Brewing Co.*, 124 F.3d 137 (2d Cir.1997); *Inc. Publishing Corp. v. Manhattan Magazine, Inc.*, 616 F.Supp. 370, 386 (S.D.N.Y.1985) ("it is certainly proper for the trial judge to infer from the absence of actual confusion that there was also no likelihood of confusion"); *Burndy Corp. v. Teledyne Industries, Inc.*, 748 F.2d 767, 771 (2d Cir 1984) ("A plaintiff who establishes false advertising in violation of § 43(a) of the Lanham Act will be entitled only to such damages as were caused by the violation"); *George Basch Co. v. Blue Coral, Inc.*, 968 F.2d 1532, 1537-39 (2d Cir.1992); *Gidatex, S.r.L. v. Campaniello Imps., Ltd.*, 82 F.Supp.2d 136, 141 (S.D.N.Y.2000) (plaintiff must prove defendant's sales in order to recover defendant's profits); *Ahava (USA), Inc. v. J.W.G., Ltd.* 286 F.Supp.2d 321, 324 (S.D.N.Y.2003); *PPX Enters. v. Audiofidelity Enters.*, 818 F.2d 266, 271 (2d Cir.1987) ("the quantum of damages, as distinguished from entitlement, must be demonstrated with specificity"); *GTFM, Inc. v. Solid Clothing, Inc.*, 215 F.Supp.2d 273, 305 (S.D.N.Y.2002) (some reasonable basis of computation has to be used, even though the proof may be only approximate).

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January 11, 2009

Respectfully submitted,

GOETZ FITZPATRICK LLP

By: _____/s/_____

Ronald D. Coleman
Joel G. MacMull
One Penn Plaza
GOETZ FITZPATRICK LLP
New York, NY 10110
Telephone: (212) 695-8100
Facsimile: (212) 629-4013
Attorneys for S&L Vitamins, Inc. and Larry Sagarin