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Re: S&L Vitamins v. Australian Gold
05-CV-1217 (JS) (MLO)

To Whom it May Concern:

Enclosed please find the new and final Agreed Permanent Injunction and Order in the above-referenced litigation. This new order **vacates** – "cancels" – the previous injunction and final order, which had awarded damages in the amount of $6 million against our clients, S & L Vitamins, Inc. and Larry Sagarin. In this new order, the parties agreed to, and the court has approved, payment of **no damages and no attorneys' fees** in exchange for an agreement by S & L and Mr. Sagarin to walk away from trading in the Australian Gold line of tanning lotions. Australian Gold also agreed to drop its appeal of the Designer Skin vs. S & L trial in Phoenix last year (Designer Skin is now owned by the same company that sells Australian Gold), from which S & L emerged with an overwhelming victory.

On the one hand, this is a disappointment. After the five-year litigation experience they had been through, and the repeated promise by Australian Gold to immediately institute new lawsuits against them regardless of the outcome of this case or any appeals, our clients concluded that ultimately they could not afford the justice to which they were entitled. No legal precedent was established by this outcome. In fact, earlier in the case, the same court summarily **tossed out** Australian Gold's meritless claims for copyright infringement, conspiracy, trademark dilution, tortious interference with prospective business advantage, and most of its trademark claims. These dismissals were incorporated in a precedential written opinion. Similarly, in an identical litigation against Designer Skin, every single claim against S & L was dismissed either in a precedent-setting summary judgment ruling or at trial, with the exception of a copyright claim based solely on the use of photographs alleged to have been taken from the Designer Skin website – and on that claim, no damages or attorneys' fees were awarded. The court merely required S & L to change the pictures.

On the other hand, despite our frustration with the overall outcome, we are gratified that there is no judgment for money damages in place against S & L and Larry Sagarin, and Larry and his partner Steve Mercadante can "move on" without having to worry about a crippling judgment that would remain in place until what we were confident would be the reversal of the court's adverse rulings on appeal.

Any person who is interested in the legality of online sales by so-called "unauthorized" resellers would do well to look at the published decisions in the S & L litigation and speak to an attorney with expertise in this area before reaching conclusions about its business planning, or responding to threats from Australian Gold or companies like it.

Ronald D. Coleman

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF NEW YORK

S & L VITAMINS, INC.,	:	
Plaintiff/Counterclaim Defendant,	:	
v.	:	05 CV 1217 (JS)(MLO)
AUSTRALIAN GOLD, INC.,	:	
Defendant/Counterclaim Plaintiff.	:	
AUSTRALIAN GOLD, INC.,	:	
Third Party Plaintiff,	:	
v.	:	
LARRY SAGARIN AND JOHN DOES, 1-10,	:	
Third Party Defendants.	:	

AGREED PERMANENT INJUNCTION AND ORDER

Plaintiff/Counterclaim Defendant, S&L Vitamins, Inc., and its principals, Larry Sagarin and Steve Mercadante, and Defendant/Counterclaim Plaintiff, Australian Gold, Inc., hereby agree to the following findings of fact, conclusions of law and permanent injunction, and it is therefore ORDERED, ADJUDGED and DECREED that:

1. Australian Gold is an Indiana corporation that manufactures the Australian Gold®, Caribbean Gold® and Swedish Beauty® brand tanning lotions. Its sister company Designer Skin, LLC manufacturers tanning lotions under the brand name Designer Skin®.[1] Collectively, the Australian Gold®, Caribbean Gold® Swedish Beauty® Designer Skin® product lines are referred

[1] Australian Gold, Inc., its parents, subsidiaries and sister companies, Designer Skin, LLC and Cal Tan, LLC, shall collectively be referred to as Australian Gold throughout this Order.

to as "Products."

2. Australian Gold owns the intellectual property associated with the Products, including all related trademarks.

3. Australian Gold permits the sale of its Products only to tanning salons. Internet sales and sales in non-tanning salon retail outlets are prohibited.

4. Australian Gold distributes the products though authorized distributors, all of whom who have entered into distributorship agreements with Australian Gold. The distributorship agreements prohibit the sale of products to any customer that is not a tanning salon or a hair and beauty salon that offers indoor tanning and instruction on the use of the products as an on premise service.

5. S&L is a New York corporation with its principal place of business located at 308 E. Montauk Hwy., Lindenhurst, NY 11757.

6. S & L Vitamins operates two internet websites, www.thesupplenet.com and www.bodysourceonline.com, that have sold the Products.

7. S&L Vitamins took photographs of the Products and superimposed its logo and business name over the image of the Products to advertise and market the Products on the internet.

8. Australian Gold has not given S&L Vitamins any rights in the Products or the respective trademarks. Further, Australian Gold does not approve, sponsor or endorse the sale or display of its Products on S&L's websites under any circumstances.

9. Australian Gold produced evidence at trial that one or more third parties placed orders from distributors for Products specifically for sale and delivery to S&L; that those third parties were aware that the distributors were under a contractual commitment to Australian Gold

not to fill such orders when the Products were intended for sale on the Internet; and that fulfillment of those orders and shipment to S&L constituted a breach of contract by the distributors. The evidence also showed that S&L was aware of these facts.

10. After a five day jury trial, the jury found S&L and Sagarin liable for tortious interference with contract and awarded Australian Gold $3 million on the claim. The jury found S&L and Sagarin liable on Australian Gold's claim for trademark infringement and unfair competition and awarded another $3 million in damages.

11. On January 28, 2009, the Court entered judgment in favor of Australian Gold and against S&L and Sagarin in the amount of $6 million and entered an injunction enjoining S&L and Sagarin from "any further use of Australian Gold's marks that are likely to cause confusion or mistake as to the affiliation, connection, or association of Australian Gold, Inc. and S&L Vitamins, Inc. or as to the origin, sponsorship, or approval of Australian Gold's products." [Dkt. 168].

12. Under New York law a claim for tortious interference must satisfy four elements: (1) existence of valid contract between plaintiff and third party; (2) defendant's knowledge of the contract; (3) defendant's procuring of breach; and (4) damages. *Loftus, Inc. v. White,* 150 A.D. 2d 857, 859; *Hoag v. Chancellor, Inc.*, 677 N.Y.S. 2d 531, 533 (1998); *Assoc. Flour Haulers & Warehousemen v. Hoffman* 282 N.Y. 173, 26 N.E.2d 7 (1940). "Whether S&L is twice removed from the contractual relationship is irrelevant. A defendant can still be held liable for it tortious conduct despite its circuitous conduct." *S&L Vitamins, Inc. v. Australian Gold, Inc.*, 521 F. Supp. 2d 188 (E.D.N.Y. 2007).

13. The Court finds that S&L interfered with Australian Gold's contracts with its distributors and its distribution channel and that Australian Gold was damaged by such conduct.

14. The Court finds that unless S&L and its principals are enjoined from future interference with Australian Gold's distributor contracts and distribution channels and infringing on its trademarks, Australian Gold will suffer irreparable harm for which money damages alone would be inadequate.

15. Section 43(a) of the Lanham act provides:

> (1) Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, ... or any combination thereof, ...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
>
> ... 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)(A).

16. To prove a claim for trademark infringement, Australian Gold must establish:

1. That it has a valid mark under the Lanham Act;
2. That S&L and Sagarin have used the Marks;
3. In commerce;
4. In connection with the sale or advertising of goods or services with Australian Gold's consent.

1-800 Contacts, Inc. v. WhenU.com, 414 F.3d 400, 407 (2d Cir. 2005)(*quoting* 15 U.S.C. § 1114(1)(a)). Additionally, Australian Gold must show that S&L's use of the marks are likely to "cause confusion, or to cause mistake, or to deceive." 15 U.S.C. § 1114(1)(a); *1-800 Contacts*, 414 F.3d at 407.

17. The evidence at trial established that Australian Gold proved its claim for trademark infringement and the jury reasonably concluded that S&L's use of the Australian

Gold's products in conjunction with S&L logo established likelihood of confusion and thus trademark infringement.

18. Section 34 of the Lanham Act provides:

> The several courts vested with jurisdiction of civil actions arising under this Act shall have power to grant injunctions, according to the principles of equity and upon such terms as the court may deem reasonable, to prevent the violation of any right of the registrant of a mark registered in the Patent and Trademark Office or to prevent a violation under subsection (a), (c), or (d) of section 43.

15 U.S.C. § 116.

19. "Section 133 protects tradenames from unlawful infringement by prohibiting the use of someone else's name, style or symbol as part of one's own name with an intent to deceive the public." *Sovereign Bus. Forms, Inc. v. Stenrite Indus., Inc.*, 00 Civ. 3867(BDP), 2000 WL 1772599, at *12 (S.D.N.Y. Nov. 28, 2000). Section 133 provides:

> No person, firm or corporation shall, with intent to deceive or mislead the public, assume, adopt or use as, or as part of, a corporate, assumed or trade name, for advertising purposes or for the purposes of trade, or for any other purpose, any name, designation or style, or any symbol or simulation thereof, or a part of any name, designation or style, or any symbol or simulation thereof, which may deceive or mislead the public as to the identity of such person, firm or corporation or as to the connection of such person, firm or corporation with any other person, firm or corporation; nor shall any person, firm or corporation, with like intent, adopt or use as, or as part of, a corporate, assumed or trade name, for advertising purposes, or for the purposes of trade, or for any other purpose, any address or designation of location in the community which may deceive or mislead the public as to the true address or location of such person, firm or corporation.

20. Australian Gold is entitled to an injunction because it showed that S&L's use of Australian Gold's name would deceive the general public. *Gasoline Heaven at Commack, Inc. v. Nesconset Gas Heaven, Inc.*, 191 Misc. 2d 646, 649 (N.Y. Sup. 2002) (quotations, citations omitted).

21. The balance of harms in issuing the injunction weighs in favor of Australian Gold

if the injunction does not issue. Further, S&L, Sagarin and Mercadante have consented to the issuance of this injunction.

22. Finally, issuing an injunction would not disserve the public interest.

23. In full compromise of all claims in this lawsuit, as well as the claims in the lawsuit styled *Designer Skin LLC v. S&L Vitamins, Inc. & Larry Sagarin*, currently pending before the Ninth Circuit Court of Appeals, Case No. 08-17233, the parties have agreed to the following injunctive relief, which the Court finds appropriate based upon the facts and law of this case:

24. S & L Vitamins, Sagarin and Mercadante, and any other person or entity acting in concert or participation with any of them, including spouses and relatives, or any other business which Sagarin or Mercadante are employed by, perform services for, own, operate, manage, or control, are hereby permanently enjoined from, directly or indirectly, acquiring, purchasing or selling the Products in any manner whatsoever, including any and all sales on the internet, sales at a retail store, sales made to any person or entity to Europe, and any other purchase or sale not specifically listed herein. This injunction includes all Products currently offered by Australian Gold, or its affiliated companies, and includes, Australian Gold, Swedish Beauty, Caribbean Gold, Designer Skin, California Tan products, or any brand or product hereafter developed and sold by Australian Gold or its affiliated companies, whether or not such company, brand or product is now in existence, provided that the origin of such product with Australian Gold or its affiliated companies is publicly known information.

25. S & L Vitamins, Sagarin and Mercadante, and any other person or entity acting in concert or participation with any of them, including spouses and relatives, or any other business which Sagarin or Mercadante are employed by, perform services for, own, operate,

manage, or control, are hereby permanently enjoined from displaying, advertising, marketing or selling any of the Products on the internet in any manner whatsoever, including using any trademark, name or product belonging to Australian Gold, Designer Skin, Cal Tan or any affiliated company in any pay-for-placement advertising. S&L, Sagarin and Mercadante shall immediately discontinue any pay-for-placement advertising with respect to the aforementioned trademarks, names and products. This injunction includes all Products currently offered by Australian Gold, or its affiliated companies, and includes, Australian Gold, Swedish Beauty, Caribbean Gold, Designer Skin, California Tan products, or any company, brand or product hereafter developed and sold by Australian Gold or its affiliated companies, whether or not such company, brand or product is now in existence, provided that the origin of such product with Australian Gold or its affiliated companies is publicly known information.

26. S & L Vitamins, Sagarin and Mercadante, and any other person or entity acting in concert or participation with any of them, including spouses and relatives, or any other business which Sagarin or Mercadante are employed by, perform services for, own, operate, manage, or control, are hereby permanently enjoined from using any trademark owned by Australian Gold, Designer Skin, California Tan or any affiliated company in any pay-for-placement advertising, including any trademark hereafter acquired by Australian Gold or its affiliated companies, whether or not such mark is now being used.

27. In satisfaction of all claims, S&L Vitamins and Sagarin are ordered to transfer their interests in the websites, www.bodysourceonline.com and www.thesupplenet.com, to Australian Gold within 10 days from the date of entry of this Agreed Permanent Injunction and Order. Further, the parties are ordered to cause *Designer Skin LLC v. S&L Vitamins, Inc. & Larry Sagarin,* currently pending before the Ninth Circuit Court of Appeals, Case No. 08-17233,

to be dismissed with prejudice within 10 days from the date of entry of this Agreed Permanent Injunction and Order.

28. The $6 Million Judgment against S&L and Sagarin is hereby VACATED and replaced by this Agreed Permanent Injunction and Order.

29. In the event that S&L, Sagarin or Mercadante are determined by the Court to have violated this injunction, then Australian Gold shall have the right to execute judgment in the amount of $6 million against the defendants jointly and severally, in addition to any other remedies that may be available to Australian Gold and any sanction that may be imposed against S&L, Sagarin or Mercadante by the Court.

30. The Agreed Permanent Injunction and Order shall be a final judgment, and the parties have waived all rights to appeal, to move for a new trial, to move to reconsider, or to vacate, alter or otherwise modify or set aside this Order.

31. The Court shall retain jurisdiction to enforce the terms of the permanent injunction.

32. Each party shall bear its own costs, including attorneys' fees.

33. Facsimile signatures of the parties provided by counsel in counterpart shall be considered as originals.

Dated: February 13, 2009

S&L VITAMINS, INC.

By:

LARRY SAGARIN

AUSTRALIAN GOLD, INC.

By: General Counsel

STEVEN MERCADANTE

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SO ORDERED:

/s/ JOANNA SEYBERT

Joanna Seybert, USDJ

Dated: 2-18-09

Central Islip, NY