



United States District Court Southern District of Florida

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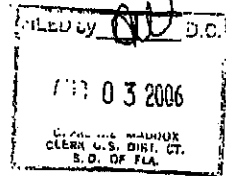
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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA

CASE NO. 06-21311-CIV-MORENO/SIMONTON



PHILIP MORRIS, USA, INC.,

Plaintiff,

v.

WILLIAM W. LEE, an individual doing
business as KARGO COMPANY, et al.,

Defendants.

JOHN TOMINELLI,
SOUTHEASTERN CARGO SERVICES, INC.
SOUTHEASTERN INTERNATIONAL SERVICES, INC.

Movants.

ORDER ON MOTION FOR PROTECTIVE ORDER

Presently pending before the Court is Movants' Motion For Protective Order (DE # 1, filed 5/24/06). These motions are referred to the undersigned Magistrate Judge (DE # 10). This motion has been fully briefed (DE ## 4, 6, 15, 19, 20). On August 3, 2006, the undersigned held a hearing on the motion. For the reasons stated at the hearing and below, the motion is granted in part. The motion is denied as to the subpoena directed to Southeastern Cargo Services, inc. (hereafter SE Cargo). The motion is granted in part as to the subpoena directed to SunTrust Bank, which is limited to documents contained in certain bank accounts subsequently listed.

I. Background

A. The Complaint

On December 29, 2005, Plaintiff Philip Morris (hereafter Philip Morris) filed a six-

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count Complaint in the underlying litigation brought in the Western District of Texas against Defendant Lee and John Does 1 through 10, alleging three counts of importing counterfeit Marlboro cigarettes in violation of various provisions of the Lanham Act, 15 U.S.C. §1141(1); 15 U.S.C. §1125(a)(1)(A) and 15 U.S.C. §1124 (Counts 1-3); one count of unlawful importation of goods bearing registered United States Trademarks, in violation of 19 U.S.C. §1526(a) (Count 4), one count of infringing registered marks in violation of Tex. Bus. & Comm. Code §§16.26 et seq. (Count 5), and one count of unfair competition in violation of Texas common law (Count 6). The Complaint alleged that Defendants conspired to import counterfeit Marlboro cigarettes into the United States, which conspiracy ended in October 2003, when the counterfeit cigarettes in question were seized by United States Customs (Tab 14 to DE # 6).

B. The Subpoenas

On April 13, 2006, Plaintiff Philip Morris issued subpoenas to movant Southeastern Cargo Services, Inc. (hereafter SE Cargo), and to SunTrust Bank (Tabs 16 and 18 to DE # 6). On April 20, 2006, Plaintiff served the SE Cargo subpoena on attorney Barry M. Boren as both registered agent and counsel for SE Cargo (Tab 17 to DE # 6).¹ On April 25, 2006, Plaintiff served the subpoena on SunTrust bank (Tab 18 to DE # 6). These subpoenas are the subject of the instant motion for protective order.

On April 30, 2006, SunTrust responded to the subpoena, indicating that there were 20 accounts containing potentially responsive docs and that it would take months to

¹ On November 7, 2003, SE Cargo voluntarily dissolved as a Florida corporation (Tab 17 to DE # 6). However, on September 16, 2004, Tominelli, as President of SE Cargo, wrote a letter to Defendant Lee on SE Cargo stationery, regarding the transaction at issue in the underlying litigation (Tab 12 to DE # 6). Tominelli was the sole officer and director of SE Cargo.

produce all the documents (Ex 21 to DE # 6; DE # 6 at ¶¶6-7).² On May 2, 2006, Philip Morris' counsel called the custodian of records at SunTrust to get a list of the twenty accounts (DE # 6 at ¶7). On May 5, 2006, Philip Morris' counsel received the list. The twenty relevant accounts were as follows: 1) Account Number 45007334870 in the name of Southeastern Cargo Services, Inc., Special Account; 2) Account Number 45007333121 in the name of North America Purchase and Trade; 3) Account Number 1000008421439 in the name of Coast Transportation Inc.; 4) Account Number 5462531404500013 in the name of John Tominelli; 5) Account Number 1000009304527 in the name of Southeastern International Services Inc.; 6) Account Number 45007319701 in the name of Southeastern Cargo Services, Inc.; 7) Account Number 45007314718 in the name of Southport CFS Inc.; 8) Account Number 45007309449 in the name of Southport CFS Inc.; 9) Account Number 45007312694 in the name of Coast Transportation Inc.; 10) Account Number 134370 in the name of Southeastern Cargo Services Inc.; 11) Account Number 45007328864 in the name of Euro Caribe Shipping Lines Inc.; 12) Account Number 1000009304535 in the name of Southeastern International Services Inc. Special Account; 13) Account Number 45007334749 in the name of Roco Tobacco USA Inc.; 14) Account Number 45006560525 in the name of Lauren Tominelli AMB John Tominelli; 15) Account Number 45006560503 in the name of John Tominelli or Pauline Tominelli; 16) Account Number 840840000560 in the name of Robert A. Tominelli and Pauline Tominelli; 17) Account Number 84008859010 in the name of Robert A. Tominelli or Pauline Tominelli or John Tominelli or Robert Tominelli, Jr.; 18) Account Number 1000008421405 in the name

² Movants attached to their Motion for Protective Order letters dated April 27, 2006 sent by SunTrust to Coast Transportation, Inc. and to Defendants SE International and Tominelli notifying them of the Philip Morris subpoena (Exs. 5-7 to DE # 1).

of Lauren Tominelli AMB John Tominelli; 19) Account Number 1000008421397 in the name of John Tominelli or Pauline Tominelli; and 20) Account Number 45002850082 in the name of John Tominelli or Pauline Tominelli.

C. The Amended Complaint

On April 27, 2006, Plaintiff and Defendant Lee filed a joint motion in the underlying litigation to amend pleadings and to join additional defendants (Tab 19 to DE # 6). On May 9, 2006, the District Court in the underlying litigation granted the joint motion (Tab 19 to DE # 6). Plaintiff's six-count First Amended Complaint in the underlying litigation alleged three counts of importing counterfeit Marlboro cigarettes in violation of various provisions of the Lanham Act, 15 U.S.C. §1141(1); 15 U.S.C. §1125(a)(1)(A) and 15 U.S.C. §1124 (Counts 1-3); one count of unlawful importation of goods bearing registered United States Trademarks, in violation of 19 U.S.C. §1526(a) (Count 4); one count of infringing registered marks in violation of Tex. Bus. & Comm. Code §§16.26 et seq. (Count 5); and one count of unfair competition in violation of Texas common law (Count 6). The First Amended Complaint named movants John Tominelli and SE Cargo as Defendants. The First Amended Complaint alleged that Defendants conspired to import counterfeit Marlboro cigarettes into the United States, which conspiracy ended in October 2003, when the counterfeit cigarettes in question were seized by United States Customs (Tab 2 to DE # 6).³

³ Defendant William Lee also filed a three count cross-claim in the underlying litigation against the other Defendants named in the First Amended Complaint, including movants Tominelli and SE Cargo, alleging fraud, breach of contract and negligence. In this cross-claim, Lee alleged that in the summer of 2003, he was first approached regarding importation of the counterfeit cigarettes at issue. Lee contends that all Cross-Defendants knew the cigarettes at issue were counterfeit but did not inform him of that fact. In his cross-claim, Lee specifically contends that SE Cargo failed to adequately

D. The Alleged Conspiracy

Phillip Morris alleges that in August 2003, Defendant Guerra International Traders of El Paso, Inc. executed a purchase order to acquire 11760 master cases of counterfeit Marlboro's from Defendant Kagro Company, owned and operated by Defendant Lee (Ex 5 to DE # 6). The purchase order was to be fulfilled over the course of one year by twelve monthly shipments of 980 master cases each, for a total price of \$4,057,200.

In connection with this transaction, Defendant Lee agreed to purchase containers loaded with cigarettes from Defendant Synergy Trading Group, Inc., a Florida corporation. By agreement, Tominelli, acting on behalf of SE Cargo, was to inspect the counterfeit cigarettes in a warehouse in Curacao in late August 2003, and clear them for shipment into the United States. Once SE Cargo issued the inspection report, Defendant Lee was to wire payment in full for the shipment into SE Cargo's account at SunTrust Bank (Ex 6 to DE # 6).

To fulfill its first monthly delivery under the purchase order, Lee and the co-conspirators imported into the United States, via the Port of Houston, a total of 978 Master cases (9,780,000 individual cigarettes) of counterfeit Marlboros (Ex 6 to DE # 6). Tominelli inspected this shipment in Curacao, and issued a report on SE Cargo letterhead that the cigarettes fulfilled the requirements for importation (Exs 7 and 8 to DE # 6). In payment for this service, Lee wired nearly \$250,000 into SE Cargo's Suntrust account (Exs 3, 4, 6 to DE # 6). For the anticipated second of the twelve shipments, Defendant Synergy instructed Lee to wire purchase money into the SunTrust account of

inspect the cigarettes at issue in Curacao before importation into the United States, even though SE Cargo had a contract to do so and claimed to have inspected the cigarettes (Tab 13 to DE # 6).

SE International, not SE Cargo (Ex 9 to DE # 6).

On or about October 10, 2003, Customs seized the initial shipment (Ex 10 to DE # 6).

In September 2004, Lee complained to Tominelli and SE Cargo about their failure to inspect the cigarettes for genuineness (Ex 11 to DE # 6). Tominelli responded that he was responsible for inspecting only quality, quantity and freshness, not genuineness (Ex 12 to DE # 6).

On May 24, 2006, movants filed the instant motion.⁴

II. The Instant Motion

A. Movant's Position

Movants object to the subpoenas as overbroad and requesting documents which are not relevant to the underlying lawsuit. Movants characterize the subpoenas as a fishing expedition by Philip Morris.

Movants stated that SE Cargo was, and SE International is, engaged in business of storing and maintaining goods imported to US, operating out of a warehouse in the Port Everglades Free Trade Zone (DE # 1).

As to the SE Cargo subpoena, movants state that they have produced numerous responsive documents. Movants request that the subpoenas be narrowed as follows: to the relevant time frame, from July 2003 to September 2004; to the relevant product, Phillip Morris cigarettes, and to the relevant parties in the transaction, the parties named in the Amended Complaint (DE # 15). Specifically, movants contend that the subpoena to

⁴ On August 5, 2002, Southeast International Services, Inc. (hereafter SE International), incorporated in Florida and is active today. Tominelli, a Florida resident, is the sole officer and director of SE International.

SE Cargo requires the production of every document created by SE Cargo, SE International or by Tominelli and all individual and corporate financial records for the period from January 1, 2000, almost four years before the transaction at issue, to date. Movants object that Philip Morris asks for information regarding trademarks and cigarettes made by its competitors and by other manufacturers not parties to the case. Movants also claim that Philip Morris is a direct competitor of every cigarette company that transported cigarettes into the United States through the SE entities warehouse, and that allowing Philip Morris to examine all of these transactions for five and one-half years, including almost four years before the transaction at issue, would violate the rights of Philip Morris' competitors to keep their records confidential (DE # 1) .

As to the subpoena addressed to SunTrust, movants state that they have turned over to Philip Morris copies of all the wire transfers and checks that relate to this transaction. Movants assert that the only account involved in the transaction at issue in the underlying litigation was SE Cargo's special account, Account Number 0045007334870 (DE # 15). Movants state that, therefore, there is no justification to require the production of any banking record from January 1, 2000 to date related to Tominelli, including Tominelli's personal account; Tominelli's mother's accounts; Tominelli's children's accounts; businesses that allegedly had no part in this transaction, such as Coast Transportation, Inc., Roco Tobacco USA, Inc., Southport CFS, Inc., North America Purchase and Trade, Euro Caribe Shipping Lines, Inc., and businesses which Tominelli does not own or control (DE # 15). Movants argue that Tominelli's personal financial and banking information, including information about businesses he is involved in that have no relationship to: 1) the transaction at issue; 2) cigarettes; 3) importing; or

4) the storage of goods, is not relevant to the underlying litigation (DE # 1).

Movant claim that they have produced documents for all relevant transactions, and that if any other transactions become relevant later, they can produce relevant documents at that time (DE # 15).

B. Philip Morris' Position⁵

As to the SE Cargo subpoena, Philip Morris contends that movants have not shown that the subpoenas are unduly burdensome, as they have failed to show undue burden with the required particularity.

As to the SunTrust subpoena, SunTrust has responded to the subpoena and has not made objection that the subpoena is unduly burdensome, and movants, as third parties, cannot raise this objection. See *Auto-Owners Ins. Co. v. Southeast Floating Docks, Inc.*, 231 F.R.D. 426, 429 (M.D. Fla. 2005).

Philip Morris also argues that the subpoenas seek relevant evidence or are reasonably calculated to lead to the discovery of admissible evidence. Phillip Morris alleges that Defendants Tominelli and SE Cargo are involved in a knowing and ongoing pattern of counterfeit cigarette trafficking. Philip Morris contends that it is entitled to documents dating back to January 1, 2000 because those documents may show that Defendants Tominelli and SE Cargo participated, with some of the same participants in this case, in prior or subsequent transactions which are similar to the transaction at issue in the underlying litigation. This evidence would go to the knowledge of

⁵ Philip Morris notes that on June 23, 2006, Philip Morris and movants agreed to resolve all the issues raised in the motion with the exception of the issues relating to the Roco Tobacco account at SunTrust Bank. However, a week later, movants withdrew from the agreement.

Defendants Tominelli and SE Cargo that the cigarettes at issue in the underlying litigation were counterfeit, which is relevant to damages under the Lanham Act.

Philip Morris further contends that three years prior to the 2003 transaction is a reasonable amount of time to produce documents, and that movants have not made a showing that producing documents for the period beginning January 1, 2000 would be an undue burden. Philip Morris also notes that the Magistrate Judge in the underlying litigation has upheld a subpoena for documents dating back to January 1, 2000.

Philip Morris states that any issues of confidentiality may be resolved by the entry of a protective order, and that it has already provided a draft confidentiality order to movants. Philip Morris also notes that movants have shown no privilege or privacy interest in the documents requested in the SE Cargo subpoena. They haven't filed a privilege log. There is no privilege or privacy interest under federal law in the bank and telephone records requested. Any objections based on privilege or privacy interests must be described in detail, and movants have not done so.

Philip Morris also contends that the SunTrust records are relevant and discoverable. Defendant Lee wired \$250,000.00 to SE Cargo's SunTrust account in connection with the first shipment.

Movants do not have standing to challenge the SunTrust subpoena except where they allege a personal right or privilege. See *Brown v. Braddick*, 595 F.2d 961, 967 (5th Cir. 1979). There is no privacy interest or privilege precluding discovery of bank records pursuant to a federal subpoena. See *United States v. Cimino*, 219 F.R.D. 695, 696 (N.D. Fla. 2003). Movants have provided no evidence of any personal right or any reasonable expectation of privacy.

At the hearing, Philip Morris agreed to limit the SunTrust subpoena so as not to request the banking records of the joint accounts of Tominelli and various family members.

III. Analysis

Initially, the undersigned will not recommend to the District Court that this motion be transferred to the United States District Court for the Western District of Texas. There is authority for transferring this motion to the Court handling the underlying litigation, especially where two of the three movants are defendants in the underlying case. This would limit the possibility for divergent discovery rulings concerning the same issues. However, the parties to this motion have put in a significant amount of effort over more than two months regarding this motion, and transfer to Texas might lead to further delay. Moreover, while Philip Morris has consented to the transfer, movants do not so consent. Therefore, this Court will consider this motion on the merits.⁶

However, in ruling on movants' arguments regarding the relevance of the documents requested in the subpoenas, the undersigned will take a broad view of what is relevant. A local court whose only connection with an action elsewhere is ruling whether documents requested in a subpoena are relevant should be hesitant to pass judgment on what constitutes relevant evidence. See *E.I. DuPont de Nemours and Co. v. Deering Milliken Research Corp.*, 72 F.R.D. 440, 442-43 (D. Del. 1976).

Moreover, the undersigned has some guidance from the Court hearing the underlying litigation. The District Court in the underlying litigation has denied a motion to

⁶ The undersigned also rejects the procedural arguments for and against the motion made by both Philip Morris and movants.

quash subpoena filed by Defendant Raul Martinez, III. The subpoena served on Defendant Martinez is virtually identical to the subpoena served on Defendant SE Cargo. The Court conducted a hearing, denied the motion to quash in its entirety, and ordered the subpoenaed documents produced.

The undersigned finds that the SE Cargo subpoena seeks relevant documents and is not overbroad. Philip Morris is entitled to discover whether Defendants SE Cargo and Tominelli participated in prior and/or subsequent importation of counterfeit cigarettes. This is relevant to proving the wilfulness and knowledge of Defendants SE Cargo and Tominelli in the attempted importation of counterfeit cigarettes which is the subject of the underlying litigation.

Thus, the SE Cargo subpoena is not overbroad in time. Philip Morris is entitled to ask for documents for the three and one-half years before the transaction at issue in the underlying litigation, which is a reasonable period for discovery in this type of litigation. In making this finding, the undersigned relies heavily on the ruling of the Court hearing the underlying litigation in denying a motion to quash a subpoena requesting documents for a period beginning January 1, 2000.

The SE Cargo subpoena is also not overbroad as to product, since it seeks only documents regarding cigarettes. SE Cargo's involvement with the importation of any counterfeit cigarettes, not just Philip Morris products, is relevant to the underlying litigation, since it may lead to admissible evidence concerning the knowledge and intent of Defendants SE Cargo and Tominelli in the underlying transaction.

Finally, the subpoena is not overbroad as to persons. Philip Morris has a right to discover SE Cargo's involvement with all persons involved in the transaction at issue in

the underlying litigation, and not just with the Defendants named by Philip Morris in the Amended Complaint.⁷

The undersigned rejects movants' arguments of undue burden for failure to provide sufficient evidence. Movants have not provided any evidence of undue burden, such as an affidavit either by Tominelli or by SE Cargo's records custodian, but rely only on the argument of counsel, which is not sufficient. Moreover, movants' counsel made new arguments on this issue for the first time at the hearing.

Movants' confidentiality argument is also not well taken. If movants have any serious concerns about keeping discovered material confidential, they may consult with Phillip Morris and enter into a confidentiality order. Inasmuch as Phillip Morris, SE Cargo and Tominelli are all parties in the underlying litigation, any confidentiality order shall be entered in the underlying litigation in the United States District Court for the Western District of Texas.

As to the SunTrust subpoena, Phillip Morris is entitled to information on the bank accounts used by Defendants SE Cargo and Tominelli, as well as the bank accounts used by SE International, which appears to be the successor corporation to SE Cargo.

The undersigned also finds that because SE Cargo claims that many responsive documents have been destroyed by the effects of Hurricane Wilma, the subpoena to SunTrust should be given broad effect to insure that all relevant documents are turned over to Phillip Morris.

Furthermore, as movants have not shown how they have standing to move for a

⁷ While Phillip Morris agreed at the hearing not to seek enforcement of paragraph 30 of the SE Cargo subpoena, the undersigned has examined the SE Cargo subpoena, which does not contain a paragraph 30, ending at paragraph 29.

protective order concerning bank accounts for the following entities: North America Purchase and Trade; Coast Transportation Inc.; Southport CFS Inc.; Euro Caribe Shipping Lines Inc., and Roco Tobacco USA Inc., and these corporations have not either filed a motion for protective order or joined in the instant motion, the undersigned finds that movants do not have standing to move for a protective order as to these entities.

However, as Phillip Morris has agreed at the hearing not to pursue the records of the personal accounts of Tominelli's family, the SunTrust subpoena shall be quashed as to those accounts.

Therefore, for the reasons stated above and at the hearing, it is hereby

ORDERED AND ADJUDGED that Movants' Motion For Protective Order (DE # 1, filed 5/24/06), is **GRANTED** in part.

On or before August 23, 2006, SE Cargo shall provide Philip Morris with all documents in its possession, custody and control which are responsive to the subpoena at issue here.

The subpoena directed at SunTrust is quashed as to the following accounts:
Account Number 45006560525 in the name of Lauren Tominelli AMB John Tominelli;
Account Number 45006560503 in the name of John Tominelli or Pauline Tominelli;
Account Number 8408400000560 in the name of Robert A. Tominelli and Pauline Tominelli; Account Number 84008859010 in the name of Robert A. Tominelli or Pauline Tominelli or John Tominelli or Robert Tominelli, Jr.; Account Number 1000008421405 in the name of Lauren Tominelli AMB John Tominelli; Account Number 1000008421397 in the name of John Tominelli or Pauline Tominelli; and Account Number 45002850082 in

the name of John Tomlinelli or Pauline Tomlinelli.

DONE AND ORDERED in Miami, Florida, on this 3rd day of August, 2006.


ANDREA M. SIMONTON
UNITED STATES MAGISTRATE JUDGE

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