

**IN THE CIRCUIT COURT OF THE SECOND JUDICIAL CIRCUIT
IN AND FOR LEON COUNTY, FLORIDA**

STATE OF FLORIDA,
OFFICE OF THE ATTORNEY GENERAL,

Plaintiff,

v.

Case No. 2006-CA-0858

FEDERATED INSTITUTE
FOR PATENT AND TRADEMARK REGISTRY
and BERND TAUBERT.

Defendants.

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FINAL JUDGMENT

THIS CAUSE came before the Court in a non-jury trial from December 14 to 16, 2009, on allegations by Plaintiff, State of Florida, Office of the Attorney General, that Defendants Federated Institute for Patent and Trademark Registry and Bernd Taubert violated the Florida Deceptive and Unfair Trade Practices Act, Chapter 501, Part II, Florida Statutes ("the Act"). Having reviewed the evidence and heard the parties' arguments, and being otherwise fully advised, the Court rules as set forth below.

FINDINGS OF FACT

Plaintiff, an enforcing authority of the Act, filed a Complaint against the Defendants on September 21, 2006. The Complaint alleges that the Defendants sent mailings that appeared to be invoices to companies that had applied for patents and trademark registrations.

Beginning in late 2005, the Defendants sent mailings asking for money to companies in Florida, elsewhere in the United States and around the world. The documents stated that they came from a "Registry" and that a sum of money, displayed between red arrows, was a "total due" for "charges of registration." Within a paragraph in smaller type appeared the statement,



"This is not a bill. This is a solicitation. You are under no obligation to make pay the amount stated underneath unless you accept this offer." The lower-case letters in this statement were at some time during the Defendants' activities changed to capital letters but in the same size as before.

Four company officials -- Lee Adams, president of American Rice, Inc., of Houston, Texas; Deborah J. Burns, Treasurer of Thornburg Mortgage, Inc., of Santa Fe, New Mexico; Joseph F. Leightner, General Counsel of International Flavors and Fragrances, Inc., of New York, New York; and John S. Benis, Treasurer of Arcs & Angles, Inc., also of New York City -- testified via videotaped deposition. All basically said they had authorized payment to the Defendants because they believed the mailings were invoices. They further testified that the reason the mailings appeared to them to be invoices was that they contained references to a "total due" for "charges of registration." The deponents said they considered these references to be prominent. They also testified that they had noticed detailed references in the mailings to actual, legitimate trademark registration applications their companies had submitted to governmental agencies, and they said they found these references also to be prominent.

Thirty affidavits by officers of other companies that made payments to the Defendants in response to their mailings were admitted into evidence. Most of these officials also stated that they interpreted the Defendants' mailings to be invoices, for money owed in connection with their companies' actual patent and trademark registration applications to governmental agencies, because of prominently displayed information, particularly detailed references to their applications. One of the affiants, Guy Leigh, chief financial officer of Coburn Graphic Films, had written on the Federated mailing sent to Coburn, "Jennifer, Please re-new our Trade Mark for Multi-Lens, Guy."

Ms. Johns also testified about the Defendants' bank records. She testified that the records showed the Defendants had received 1,411 payments in the amounts sought in their mailings from approximately 950 companies. She further testified that the Defendants had derived a total of \$2,587,771.29 in these amounts, \$1,450,701.37 of which had been transferred to bank accounts in Switzerland. Of the latter sum, approximately \$750,000 was described in bank records as being loans to Defendant Taubert's son, Ron. Ms. Johns also testified that virtually all of the money derived by the Defendants was obtained after Defendant Taubert was issued an Investigative Subpoena by the Attorney General's Office in November 2005 and that virtually all of the funds sent to Switzerland were sent after issuance of the Subpoena. The bank records reflecting this information were admitted into evidence.

Matthew Bryan, director of the legal division of the Patent Cooperation Treaty, a branch of the World Intellectual Property Organization ("WIPO"), was certified to testify for the Plaintiff as an expert witness. Mr. Bryan testified that WIPO is a United Nations agency that encourages nations to cooperate on protecting intellectual property. He testified that "registering" a trademark or patent can be done only by a governmental agency and cannot be accomplished by private parties such as the Defendants. He further testified that information about the Federated mailings was available at the WIPO website at a link entitled "Scams." He described the process whereby patents are legitimately obtained and called the Federated mailings an "abuse" of the international system of patent protection. Scott Morrell, formerly an attorney and investigator for the U.S. Postal Inspection Service, also testified as an expert for the Plaintiff. Postal Service regulations concerning disclosures required on mailings that could be interpreted to be invoices were admitted into evidence.

The Defendants presented no evidence other than excerpts from a lengthy deposition of Ms. Johns.

At all times material hereto, the Defendants engaged in "trade or commerce" as defined by Section 501.203(8). Defendant Taubert controlled the business activities of Federated and directly participated in the acts and practices described herein.

The mailings sent by the Defendants were likely to mislead consumers acting reasonably under the circumstances to the consumers' detriment. The Defendants engaged in deceptive trade practices in violation of the Act.

The Defendants' mailings could reasonably be interpreted to be invoices and did not contain a 30-point disclosure stating that they were not invoices, as required by Florida's Misleading Solicitations Statute, Section 817.061, Florida Statutes. The Defendants also violated the Misleading Solicitations Statute. The violation of any law, statute, rule, regulation or ordinance that proscribes unfair methods of competition or unfair, deceptive or unconscionable acts or practices is also a violation of the Act. Section 501.203(3)(c). The Misleading Solicitations Statute prohibits the sending of solicitations that could reasonably be interpreted to be invoices unless they contain the required disclosure because, without the disclosure, the solicitations could be misleading in that they could be interpreted to be invoices. The Misleading Solicitations Statute is thus a statute that proscribes deceptive practices, and violation of the Misleading Solicitations Statute is a violation of the Act.

The Defendants' mailings were deceptive on their face in violation of the Act because it is reasonably clear that the documents, with their references to a "Registry" and a "total due" for "charges of registration" along with a small-print purported disclaimer, were likely to mislead consumers acting reasonably under the circumstances.

The Defendants willfully engaged in the acts and practices described above in that they knew or should have known that these acts and practices were deceptive.

REMEDIES

Having determined that the Defendants violated the Act, the Court now addresses the relief sought by the Plaintiff, specifically (1) reimbursement of consumers, (2) civil penalties, (3) attorney's fees and costs and (4) reasonable restrictions on the future activities of the Defendants and, to aid in the execution of these remedies, (5) financial disclosure of assets by the Defendants and (6) repatriation of assets.

Reimbursement of consumers

The Act authorizes reimbursement to consumers who have been damaged by deceptive trade practices. Section 501.207(3). It also authorizes recovery of the actual damages caused by the deceptive practices. Section 501.207(1)(b). The thirty-four consumers identified in the evidence by testimony and affidavit who paid money in response to a deceptive trade practice are entitled to their money back.

In the instant case, FEDERATED and TAUBERT sent deceptive mailings to consumers that sought either \$1,529.30 or €1,529.30, or \$1,629.30 or €1,629.30, and in response received from the consumers in those amounts a total of \$2,587,771.29.

Civil penalties

The financial records of Federated show that virtually none of its proceeds were obtained before Defendant Taubert learned that the Attorney General's Office believed his mailings could be deceptive. Instead, the vast bulk of his remunerative business activities took place thereafter. Also during this time, Defendant Taubert arranged to have most of the proceeds of his scheme

transferred to a foreign jurisdiction where, obviously, they would be harder for the authorities to recover for his victims in the event of an adverse outcome in the litigation.

Defendant Taubert's activities were very harmful to the public interest. Through Federated, he was able to insert himself into the complex system whereby international patents and trademarks are filed or registered, abusing the system and endangering the entrepreneurs who depend upon that system. Defendant Taubert put his victims at risk of losing intellectual-property protections that were important to the success of their companies.

Because their adverse effect on the public interest, the substantial financial benefits they incurred and the need to establish an effective deterrent, civil penalties are appropriate. Defendants Taubert and Federated violated the Act on 1,411 occasions. The Court finds an appropriate penalty is \$1,500 per violation. However, no additional penalties will be imposed based on the Defendants' violation of Section 817.061, Florida's Misleading Solicitations Statute, and thus of the Act as well.

Attorney's fees and costs

Section 501.2105 provides that the prevailing party may recover fees and costs from the non-prevailing party. The Attorney General's Office has requested payment of its fees and costs as a prevailing party. The Court reserves jurisdiction to determine entitlement and the amount at a hearing to be scheduled.

Reasonable restrictions

The Act's purpose is to "protect the consuming public and legitimate business enterprises from those who engage in unfair methods of competition, or unconscionable, deceptive, or unfair acts or practices in the conduct of any trade or commerce." Section 501.202(2). To that end, "reasonable restrictions upon the future activities of any defendant to impede her or him [sic]

from engaging in or establishing the same type of endeavor" are permitted by the Act, and courts may "order any defendant to divest herself or himself of any interest in any enterprise." Section 501.207(3).

The conduct of the Defendants, discussed more fully above, merits the imposition of stringent restrictions on their future activities. Prohibitions against (1) engaging in any business that involves patents or trademarks, as well as (3) engaging in any business that uses the words "registry," "register," "registering" or "registration" in mailings or other documents, or any other business related in any way to governmental functions, unless the following statement is included on the face of the document in 30-point bold-face type: "This solicitation has no connection to any official or governmental agency," or (4) engaging in any business that involves sending solicitations to consumers that does not include on the face of the document in 30-point bold-face type the following statement: "This is a solicitation for the order of goods or services, and you are under no obligation to make payment unless you accept the offer contained herein."

Defendant Taubert's unlawful activities have been documented to occur outside the State of Florida. In addition to the restrictions set forth above, in the event that either of the Defendants undertakes these prohibited activities in a jurisdiction outside Florida, the following requirements are appropriate: (5) No solicitation may be sent into Florida that does not include on the face of the document in 30-point bold-face type the following statement: "This is a solicitation for the order of goods or services, and you are under no obligation to make payment unless you accept the offer contained herein."

Financial disclosure of assets by the Defendants

The Florida Rules of Civil Procedure require the Court to include a Final Judgment Enforcement Paragraph concerning financial assets if requested by the prevailing party, as Plaintiff has requested in the instant case. Fla.R.Civ.Pro. 1.560(c).

Repatriation of assets

In conjunction with monetary awards, courts are authorized to order the transfer to the United States of documents and assets located outside the country. See, e.g., F.T.C. v. Affordable Media, 179 F.3d 1228, 1240 (9th Cir. 1999) (upholding order to repatriate assets in case against telemarketers), F.T.C. v. Washington Data Resources, Inc., 2009 WL 4885033 (M.D.Fla. 2009) (ordering repatriation of assets in connection with mortgage-assistance scheme). Specifically, the order may include requirements that the defendants (1) take such steps as are necessary to transfer to the United States documents and assets that are located outside the country and are held by or for the defendants or are under the defendants' direct or indirect control, (2) provide the plaintiff with a full accounting of all documents and assets that are located outside the country and are held by or for the defendants or are under the defendants' direct or indirect control and (3) hold and retain all transferred documents and assets and prevent any transfer, disposition or dissipation of any such assets or funds. Id. at 5. An order to repatriate assets is appropriate because of the Defendants' documented transfers of proceeds to Switzerland.

ORDER

Based on the foregoing, it is ORDERED and ADJUDGED:

1. Defendants FEDERATED INSTITUTE FOR PATENT AND TRADEMARK REGISTRY and BERND TAUBERT and their agents, employees or any other persons who act with, through or on behalf of Defendants are permanently enjoined from:

a. Violating the Florida Deceptive and Unfair Trade Practices Act, Chapter 501, Part II, Florida Statutes,

b. Violating Florida's Misleading Solicitations Statute, Section 817.061 Florida Statutes,

c. Engaging in any business that involves offers or sales related to patents or trademarks,

d. Engaging in any business that involves any mailings or other documents that use the words "registry," "register," "registering" or "registration," or any other business related in any way to governmental functions, unless the following statement is included on the face of the document in 30-point bold-face type: "This solicitation has no connection to any official or governmental agency,"

e. Engaging in any business that involves sending solicitations to consumers that does not include on the face of the document in 30-point bold-face type the following statement: "This is a solicitation for the order of goods or services, and you are under no obligation to make payment unless you accept the offer contained herein."

f. Sending any solicitation into the State of Florida that does not include on the face of the document in 30-point bold-face type the following statement: "This is a

solicitation for the order of goods or services, and you are under no obligation to make payment unless you accept the offer contained herein.”

2. The Defendants are further ordered to send reimbursements to the entities that sent funds to Defendant FEDERATED INSTITUTE FOR PATENT AND TRADEMARK REGISTRY for \$2,587,771.29, as evidenced by the bank records submitted into evidence in the proceeding. Said reimbursement to be sent within 90 days of the date of this Order and to provide, also within 90 days, documentation to the Plaintiff substantiating that the reimbursements have been made.

3. The Defendants are further ordered to pay \$1,500 in civil penalties for each violation of the Act, for a total of \$2,116,500, there having been 1,411 payments made to Defendant FEDERATED INSTITUTE FOR PATENT AND TRADEMARK REGISTRY. No additional civil penalties will be ordered for Defendants' violations of the Misleading Solicitations Statute, Section 817.061, which also constitutes a violation of the Act.

4. The Defendants are further ordered to:

a. Take such steps as are necessary to transfer within 90 days of the date of this Order to the United States all assets and related documents that are located outside the country and are held by or for the Defendants or are under the Defendants' direct or indirect control,

b. Provide the Plaintiff within 90 days of the date of this Order with a full accounting of all assets and related documents that are located outside the country and are held by or for the Defendants or are under the Defendants' direct or indirect control, and

c. Hold and retain all transferred assets and related documents and prevent any transfer, disposition or dissipation of any such assets or funds.

5. The Defendant FEDERATED is further ordered to complete under oath Florida Rule of Civil Procedure Form 1.977 (Fact Information Sheet), including all required attachments, and serve it on the Plaintiff within 45 days from the date of this Order, unless the final judgment is satisfied or post-judgment discovery is stayed.

6. This Court retains jurisdiction of this case to enter further orders that are proper to compel compliance with this Final Judgment by contempt proceedings, civil and/or criminal, and to determine entitlement to attorneys' fees and costs, and the amount of the same, and to direct financial disclosures by TAUBERT at such time as the Court deems appropriate.

DONE and ORDERED in Tallahassee, Leon County, Florida, on August 11, 2010.
2010.



Charles A. Francis
Chief Judge

Copies provided to:
Allison Finn, Counsel for Plaintiff
Kenneth G. Spillias, Counsel for Defendants

M A N D A T E

From

**DISTRICT COURT OF APPEAL OF FLORIDA
FIRST DISTRICT**

To the Honorable Judges of the Circuit Court for Leon County
WHEREAS, in the certain cause filed in this Court styled:

FEDERATED INSTITUE FOR PATENT ETC. Case No : 1D07-4274

v.

Lower Tribunal Case No : 2006-CA-1858

FILED
COURT SERVICES DIV.
08 MAR 21 AM 11:37
BOB INZER
CIRCUIT COURT
LEON COUNTY, FLORIDA

STATE OF FLORIDA, OFFICE OF THE ATTORNEY GENERAL

The attached opinion was issued on March 3, 2008

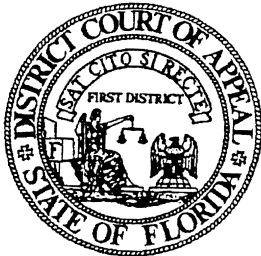
YOU ARE HEREBY COMMANDED that further proceedings, if required, be had in accordance with said opinion, the rules of Court, and the laws of the State of Florida.

WITNESS the Honorable EDWIN B. BROWNING, JR.

of the District Court of Appeal of Florida, First District,

and the Seal of said Court done at Tallahassee, Florida,

on this 19th day of March 2008.



Jon S. Wheeler

JOHN S. WHEELER, Clerk
District Court of Appeal of Florida, First District

IN THE DISTRICT COURT OF APPEAL
FIRST DISTRICT, STATE OF FLORIDA

FEDERATED INSTITUTE FOR PATENT
AND TRADEMARK REGISTRY AND
BERND TAUBERT ,

NOT FINAL UNTIL TIME EXPIRES TO
FILE MOTION FOR REHEARING AND
DISPOSITION THEREOF IF FILED

Petitioners,

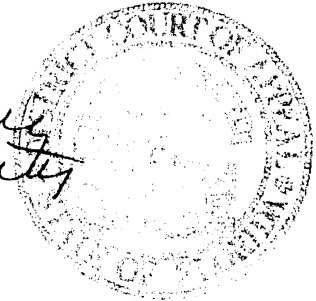
CASE NO. 1D07-4274

v.

STATE OF FLORIDA, OFFICE OF THE
ATTORNEY GENERAL,

Respondent.

I CERTIFY THE ABOVE
TO BE A TRUE COPY
Karen Roberts Chis
JON S. WHEELER *Deputy*
CLERK DISTRICT COURT OF
APPEAL, FIRST DISTRICT



Opinion filed March 3, 2008.

Petition for Writ of Certiorari. Original Jurisdiction.

Kenneth G. Spillias, John W. Forehand, and M. Christopher Lyon, of Lewis, Longman & Walker, P.A., Tallahassee, for Petitioners Federated Institute For Patent and Trademark Registry and Bernd Taubert, and Douglas L. Williams, Miami, for Petitioner Bernd Taubert.

Bill McCollum, Attorney General, and Allison Finn, Assistant Attorney General, Tallahassee, for Respondent.

PER CURIAM.

DENIED.

ALLEN, KAHN, and DAVIS, JJ., CONCUR.