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2000 WL 33977895 (C.A.11) (Appellate Brief)
United States Court of Appeals,
Eleventh Circuit.

UNITED STATES OF AMERICA, Plaintiff-Appellee,
v.
Cesar TELLEZ, Defendant-Appellant.

No. 00-10744-II.
November 7, 2000.

On Appeal from the United States District Court for the Southern District of Florida (Lenore C. Nesbitt, D.J.)

Brief of Appellant Cesar Tellez

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**IX STATEMENT REGARDING ADOPTION OF BRIEFS OF OTHER PARTIES*

Defendant Cesar Tellez, pursuant to [Federal Rule of Appellate Procedure 28\(i\)](#) and [Eleventh Circuit Rule 28-1\(f\)](#), hereby adopts and incorporates by reference all of the arguments applicable to his case raised by codefendants Jorge Guerra and Louis Ordonez in their respective briefs.

STATEMENT REGARDING RECORD CITATIONS

References to the trial transcripts will be to the volume number, followed by the page numbers (e.g., R7-538). References to documents filed in the record (other than transcripts) will be to the volume number, followed by the docket entry and the pages, if applicable (e.g., R1-24-2). To ensure consistency and to avoid confusion, the government trial exhibits will be referred to in the same fashion as presented at trial.

**X STATEMENT OF JURISDICTION*

The district court had jurisdiction of this case pursuant to [18 U.S.C. §3231](#). The Court of Appeals has jurisdiction over this appeal pursuant to [28 U.S.C. §1291](#).

The Judgment of Conviction and Sentence was imposed on January 25, 2000 (R3-107-1; R11-83). Defendant Tellez filed his timely notice of appeal on February 2, 2000 (R3-109).

**1 STATEMENT OF THE ISSUES*

I. Whether there was sufficient evidence to support the convictions for conspiracy to traffic in counterfeit cigars charged in Count I, and for the substantive offenses of trafficking in counterfeit cigars charged under Counts II (“Cohiba”), III (“Montecristo”), IV (“Romeo y Julieta”), and VII (“Fuente y Fuente Opus X”)?

II. Whether the district court committed error by assessing each of the labels seized from Tellez the value corresponding to fully completed counterfeit cigars and thereby misapplied the Sentencing Guidelines?

III. Whether the district court committed error by not requiring the government to abide by its continuing *Brady* obligations at sentencing?

**2 STATEMENT OF THE CASE*

Defendant Cesar Tellez is the 48-year old sole proprietor of Alpha Foil Stamping, a small storefront business

primarily engaged in embossing and foil stamping for printers. Tellez stood trial with Jorge Guerra, a printer who owns and operates Panorama Printing, and Louis Ordonez, a cigar dealer who owned and operated the Don Louis Cigar Company. Tellez was convicted by a jury of participating in a conspiracy to traffic in counterfeit cigars and committing the substantive offenses of trafficking in counterfeit cigars as charged under Counts I, II, III, IV, and VII of the superseding indictment (R1-24).¹

Footnotes

The prosecution argued from the very outset of the trial that the focus of the Court and jury should rest upon the premise that “[t]he name is the trademark. The trademark is the name” (R5-8). This mantra pervaded the government’s trial presentation since the prosecution in argument and the case agents in their testimony repeatedly underscored that mere name or word served as their focal point in building the trademark infringement case (R5-15,122, 143, 201, 219, 220, 224; R6-249,262,386,416; R7-535; R8-816,858). This refrain heard throughout the entire trial resurfaced, over defense counsel objection, among the closing words spoken by the prosecution to the jury (R8-858-59)(“And that is the most important thing, the name is the trademark, name equals trademark.... The name which equals the trademark...”).

*3 Indeed, during its closing statement, the government made clear that it viewed as criminal trademark infringement even the mere foil stamping or embossing of labels bearing certain names or words (R8-815,818)(“Every time the defendants either printed or embossed or foil stamp[ed] anything that had the names “Montecristo,” “Bolivar,” “Romeo y Julieta,” “Cohiba,” and “Opus [X,]” they were breaking the law....Every time they printed a label they violated the law.”). Tellez openly admitted to doing embossing and foil stamping work on labels bearing some of these names, which labels the government acknowledged had been printed elsewhere (R6-309; R7-536-38; R8-702, 720, 733). The government described defendant Ordonez as “the visionary, the person with the idea, [] the seller, the trafficker in counterfeit goods” (R8-822). On the other hand, no tobacco or cigars were found during the searches conducted at Tellez’s shop and residence (R7-537). There was absolutely no evidence that Tellez conspired to traffic or trafficked in “goods, to wit, cigars” (R1-24-4-6) bearing counterfeit marks.

After Tellez was sentenced, the Tenth Circuit, in a case presenting an issue not previously addressed by any federal court,² clearly rejected the government’s overly broad view of the law. *See United States v. Giles*, 213 F.3d 1247 (10th Cir. 2000)(May 19, 2000). Thus, Tellez, who openly admitted to doing embossing and foil stamping work on labels printed elsewhere, stands convicted, based on insufficient evidence, because of the government’s erroneous view of what constitutes criminal trademark infringement.

1 Although the indictment used the conjunctive “traffic and attempt to traffic” as to all counts, the actual language of 18 U.S.C. §2320(a) uses the disjunctive “traffics or attempts to traffic.” Tellez was charged with Guerra and Ordonez as to Counts I, II, III, and IV, but he was charged alone as to Count VII alleging the trafficking “and” attempted trafficking of cigars bearing counterfeit “Fuente y Fuente Opus X” marks. (R1-24-6). However, it is noted that the court failed to specifically instruct the jury on “attempt” law.

**4 Course of Proceedings and Disposition Below*

On June 19, 1998, a grand jury returned a three-count indictment (R1-8) against defendants Louis Ordonez and Cesar Tellez. The indictment charged Ordonez and Tellez in Count I with conspiring to “traffic and attempt to traffic”³ in cigars bearing counterfeit facsimiles of the marks “Cohiba” and “Montecristo” in violation of 18 U.S.C. §§371 and 2320 (R1-8-1-3), and in Counts II and III with the substantive offenses of “traffic[ing] and attempt[ing] to traffic in goods, to wit, cigars” bearing the same counterfeit marks in violation of 18 U.S.C. §§2320 and 2 (R1-8-3-4). A copy of the original indictment is enclosed herewith as a part of the record excerpts.

2 At present, there are less than 30 published decisions throughout the federal courts interpreting the Trademark Counterfeiting Act of 1984 codified at 18 U.S.C. §2320.

On November 12, 1998, a grand jury returned a seven-count superseding indictment (R1-24) adding Jorge Guerra as an additional defendant. Count I of the superseding indictment was modified by adding Guerra as a third alleged coconspirator and by adding the “Romeo y Julieta” mark to the list of counterfeit marks allegedly used in the conspiracy (R1-24-1-3). Counts II and III of the superseding indictment remained unchanged from

the original indictment with the exception that Guerra was added as a third defendant as to each count (R1-24-3-4). Count IV of the superseding indictment charged all three defendants with a new substantive offense involving the alleged “traffic [king] and attempt to traffic” in cigars bearing counterfeit “Romeo y Julieta” marks in violation of 18 U.S.C. §§2320 and 2 (R1-24-4-5). Counts V and VI of the superseding indictment charged Ordonez alone with substantive violations under the same statutes involving the “Punch” and “Bolivar” marks respectively (R1-24-5-6).

*5 Finally, Count VII of the superseding indictment charged Tellez alone with “traffic[king] and attempt to traffic in goods, to wit, cigars” bearing counterfeit “Fuente y Fuente Opus X” marks in violation of 18 U.S.C. §§2320 and 2. (R1-24-6). A copy of the superseding indictment is also enclosed herewith as a part of the record excerpts.

Tellez moved pretrial to dismiss several counts of the indictment under a theory that the Cuban government is the true owner of the “Cohiba,” “Montecristo,” and “Romeo y Julieta” marks which were replicated in this case⁴ and therefore they enjoyed no legal protection under U.S. trademark laws. The motion to dismiss also alleged that the indictment was multiplicitous (R2-43). After hearings were held on the motion, Magistrate Stephen Brown issued a report and recommendation on February 18, 1999 recommending that the motion be denied (R2-57). No objections were filed to the report.

3 See note 1, *supra*.

On May 24, 1999, all three defendants proceeded to jury trial before the Honorable Lenore Nesbitt, Senior U.S. District Court Judge. Each defendant elected to testify in his own defense. All of the defendants moved for judgments of acquittal at the close of the government’s case (R7-596-601). The district court denied the motions made at the close of the government’s case (R7-604) but deferred ruling as to one of the issues raised by the defense (R7-613). The defendants renewed their motions at the conclusion of all the evidence (R8-807-10), and the court finally denied all motions. (R8-811).

*6 After a four day trial, the jury delivered its verdict on May 28, 1999 to the Honorable Federico Moreno, U.S. District Court Judge, who was then substituting for Senior Judge Nesbitt. The jury reached a general verdict convicting all of the defendants as to all counts (R-9-908-10). All defense counsel filed timely post-trial motions seeking acquittal notwithstanding the verdicts and/or new trials (R2-70; R2-71; R2-72; R2-74, R2-75). The relief sought by these various motions was denied by the district court for reasons orally recited during the sentencing hearing (R3-133; R3-139; R11-13-17, 85).

The district court sentenced Tellez, the embosser, to 27 months in prison, Guerra, the printer, to 18 months in prison, and Ordonez, the cigar dealer, to 18 months in prison. (R3-106; R3-107; R3-126). Although the government had ranked Ordonez as the “most culpable of the [] defendants” (R9-919)⁵ after the verdict was announced (R9-908-910), Tellez ultimately received the highest sentence due to the district court’s erroneous application of the Sentencing Guidelines. See Argument and Citations of Authority, *infra*, at pp. 37-47. At sentencing, Judge Nesbitt noted that this is a “complicated case” (R11-10). All three defendants filed timely notices of appeal (R3-108; R3-109; R3-127). The district court granted the motions filed by all three defendants to remain free on bond pending appeal (R3-124; R3-125; R3-128). Tellez is presently a gainfully employed man supporting his wife and three small children through his legitimate work.

4 All of the replicated cigar rings and labels which were seized in this case (with the exception of the “Opus X” labels) clearly differentiated the marks as originating in Cuba with distinguishing words such as “Habanos,” “Hecho en Cuba,” “Habana” and the like (R1-24-3; *passim*). Indeed, the indicted cigar dealer Ordonez testified that his idea had been to copy embargoed Cuban cigars, which he overtly represented to his customer(s) as “imitation” Cuban cigars (R7-655).

*7 STATEMENT OF THE FACTS

A. Cesar Tellez

At trial, Tellez defended himself against the charges by asserting that he was the legitimate operator of Alpha Foil Stamping, a small one-man shop providing finishing services to printers (R5-7) including foil stamping and

embossing. Tellez embossed and/or foil stamped items for printers doing work for companies such as Marriott, Sony, U.P.S. and Domino Pizza (R7-675-83, 734). He also did subcontracted finishing work on cigar labels. However, it is undisputed that the evidence established that Tellez neither printed any of the cigar labels/rings at issue nor possessed any cigars bearing counterfeit marks (or even a single cigar of any kind for that matter)(R7-536-38). All of the labels/rings stamped and/or embossed by Tellez were printed elsewhere (R5-133-34; R7-491, 536-37). According to the case agent, Tellez simply put “a finishing touch” on the cigar labels/rings in question by giving them a “raised texture” to create a “fancier and more expensive” look (R6-254, 272; R7-538).

U.S. Secret Service agents obtained a search warrant for Tellez’s shop (R6-251) based on information received from an unnamed confidential informant. According to the affidavit filed in support of the warrant application, the “confidential source,” who did not testify at trial, represented to case agents that Tellez furnished him/her with a sample “Opus X” cigar label and offered to sell thousands of counterfeit “Cohiba” and “Opus X” cigar labels/rings during a meeting conducted at Tellez’s shop in late May, 1998 (R1-13-30-¶5; R1-42-30-¶5). Federal agents executed the shop warrant on June 1, 1998. Shortly thereafter, Tellez gave his consent to the warrantless search of his residence where he had placed other items (R6-310; R7-530, 556-57; R8-706). During these searches, federal agents seized various items including negatives, “Intaglio” plates,⁶ ink *8 boards, and business records. Agents also seized sheets of cigar labels/rings bearing various cigar brand names such as “Opus X,” “Montecristo,” “Romeo y Julieta,” and “Cohiba,” as well as Cuban tax stamps and authenticity labels (R7-478-93; R7-556-57). Also among the items seized were cigar labels/rings bearing such lesser known brand names as “Puro Habano,” “Don Rafael,” “T.J.,” and “Miami Havana.” The defense elicited testimony from the case agent that he had determined that these lesser known labels were not counterfeit because the respective trademark owners had authorized Tellez to emboss the labels/rings (R7-479-80, 486, 490-93). As to the “Opus X” materials seized from Tellez’s stamping and embossing shop, Special Agent Villanueva testified that he had no knowledge as to where they had been printed (R7-536). Moreover, the case agent acknowledged the significant fact that no tobacco or cigars were discovered during the Tellez searches and that the origin of the various labels/rings seized from Tellez was unknown (R7-536-38)(“...[Tellez] was just doing the finishing touches”). Additionally, the case agent testified that he had no knowledge whether anyone had received or purchased any counterfeit cigars bearing these exact labels/rings (R6-377; 387-88). Secret Service Agent Villanueva acknowledged that he “had no idea” what the labels were used for; he had “no idea,” for instance, whether the labels were later used as “props or for shows or promotions or nostalgia items” (R6-388).

- 5 Government counsel had unequivocally responded to Judge Moreno’s direct question (“In the government’s view, who is the most culpable of the three defendants?”) as follows: “The most culpable of the three defendants would be the lead defendant in this case, Mr. Ordonez. But it becomes a very dicey issue after that with respect to Mr. Guerra and Mr. Tellez because they were printers [Guerra] and embossers [Tellez] of these labels” (R9-919).

After the searches were conducted, Tellez was transported to the Miami field office of the U.S. Secret Service where he agreed to cooperate with investigators (R6-308; R7-508-10). Special Agent Villanueva testified that “Tellez agreed to give a verbal statement as to his participation in the counterfeiting of cigar paraphernalia” (R7-510). *9 Specifically, Tellez admitted to the foil stamping and embossing of “Opus X,” “Cohiba,” “Romeo y Julieta,” and “Montecristo” cigar labels/rings (R6-309; R7-513).⁸ However, at trial, Tellez denied that he had ever told the case agent that he placed items at home due to fear of apprehension or that he had a “feeling” that the items were illegal (R8-706).

- 6 An “Intaglio” plate is used in the foil stamping and embossing process to produce “a raised feel and texture... it just basically raises the impression” (R7-494).
- 7 Upon earlier inquiry from the trial court, the case agent defined the meaning of “paraphernalia” as “...basically, any kind of counterfeit trademark utilized in the manufacturing of the actual cigar or the actual cigar box or anything of that matter. Anything with the name that was trademarked, basically” (R6-253)(emphasis added).

Through his testimony at trial, Tellez confirmed that he primarily worked for printing shops (R7-671). In the ordinary course of business, Tellez utilized a standard price list, introduced by the defense as “B-10,” to quote work on cigar labels (R8-699-700). He openly admitted that he had done such finishing work for Guerra’s “Panorama” printing shop - i.e., foil stamping “Cohiba” labels and cutting “Romeo y Julieta” labels (R8-700-01, 734). Tellez also testified that he admitted to Special Agent Villanueva that he had done work on

the “Opus X” labels for a printing shop identified as “Al Graphics” and on the “Montecristo” labels for another printing shop identified as “Jem Productions” (R8-702). Consistent with the case agent testimony, Tellez reiterated that he did not make or print any of the cigar labels/rings (R7-491; R8-701). While categorically denying having engaged in “counterfeiting,” Tellez readily admitted to foil stamping and/or embossing “Cohiba,” “Montecristo,” “Romeo y Julieta,” and “Fuente y Fuente Opus X” cigar labels/rings (R8-720). Tellez also acknowledged having done finishing work indirectly for Ordonez through a printing shop identified as “Interprint” (R8-733).

B. *Louis Ordonez*

The government presented evidence at trial that lead defendant Louis Ordonez was a cigar dealer with his own brand name, “Don Louis” cigars (R5-194). Ordonez did *10 acknowledge the possession and sale of counterfeit cigars (R5-232). Consistent with the case evidence, he also “stated over and over [that he was] the only one [involved]” (R5-160). Indeed, Ordonez voluntarily emphasized to a case agent that “[he was] the one [counterfeiting, [and that] nobody else [was] involved except for [him]” (R5-229). Even at trial, while testifying in his own defense, Ordonez underscored that he had acted alone (R7-664)(“I don’t have any [co]conspirators, sir.”).

After securing a search warrant for Ordonez’s home premised on information obtained from an unidentified confidential informant, federal agents executed the warrant on June 1, 1998 (R5-137-38). Agents found and seized various items from Ordonez’s master bedroom and office (R5-140). The government introduced various exhibits including completed cigar boxes bearing famed Cuban cigar brand names such as “Romeo y Julieta,” “Montecristo,” “Cohiba,” “Punch,” and “Bolivar,” a box containing plain cigar boxes, various cigar labels/rings (“Cohiba,” “Montecristo,” “Romeo y Julieta,” “Bolivar,” “Habanos,” “Punch”), Cuban tax stamps and authenticity labels, silk screens, printing plates, bundles of generic cigars, shipping invoices reflecting Ordonez’s receipt of two cigar shipments weighing 31 kilograms and 44 kilograms respectively, a large humidor, and a workbench (R5-141-63).

Although the unidentified confidential informant had told federal agents that Ordonez was selling counterfeit “Opus X” cigars, the agents did not find any “Opus X” cigars or “Opus X” materials of any kind during the Ordonez search (R5-191). The absence of any “Opus X” cigars or materials was fully consistent with Ordonez’s admission that he deliberately copied Cuban cigars (R7-618, 627) (Ordonez explaining that he only copied Cuban brands and never replicated the “Fuente y Fuente Opus X” because it is not a Cuban brand).

In his trial testimony, Ordonez openly acknowledged that he was replicating boxes of Cuban cigars (R7-618, 626-27). He testified that he was not trying to counterfeit *11 Dominican cigars, but only the distinctive Cuban cigars (R7-627). Indeed, Ordonez tried to register various Cuban brand names with the U.S. Trademark Office (R7-623, 659-61). According to Ordonez, he never represented the cigars he admittedly made as anything other than Dominican cigars imitating the famed Cuban brands (R7-655). He allegedly sold the imitations on a limited scale of 4-5 boxes a week at a price of \$40-\$100 per box (R5-160-61; R7-553). Ordonez also testified that he had “never in [his] life” met his codefendant Guerra (R7-635). As to Tellez, he essentially described his relationship as an indirect acquaintance limited to arm’s length commercial transactions -- i.e., the subcontracted finishing work on labels that Tellez indirectly performed for Ordonez through a printer (R7-635-36). Ordonez admitted to paying Tellez for embossing cigar labels including his own brand of “Don Louis” cigars, but denied that Tellez embossed his “Cohiba” labels (R7-659). Ordonez explained government exhibit “O-49” (handwritten notation as to “Cesar Alpha” and “\$1390”) as noting a balance related to an unfulfilled order (R7-658-59). He augmented his explanation as to “O-49” by testifying that he had made a \$600 deposit on an order related to Cuban “Romeo y Julieta” cigar labels which went unfulfilled due to the “raid” at Tellez’s shop (R7-664-65).

C. *Jorge Guerra*

On June 5, 1998, federal agents conducted a consensual search of the “Panorama” printing shop owned and operated by Jorge Guerra. The case agent had received information that Guerra was printing cigar trademarks (R5-163-69). Agents found and seized various printing plates, negatives, and cigar labels/rings bearing brand names like “Habanos,” “Cohiba,” “Romeo y Julieta,” and “Montecristo” (R5-169-76). The defense argued that

all of the labels/rings were clearly copying embargoed Cuban cigar brands thereby eliminating the likelihood of misleading or confusion (R6-322; 357).

*12 Subsequent to the search, Guerra gave the case agent both oral and written statements in reference to the “counterfeiting of cigar paraphernalia” (R6-313; R7-533). According to these statements, Guerra began printing “Cohiba,” “Montecristo,” and “Romeo y Julieta” labels/rings in 1992 for various individuals (R6-313). According to the case agent, Guerra also stated that he ultimately suspected that something was “wrong” due to the Cuban origin of the cigar brand names being printed (R6-314; R7-533).

In turn, Guerra testified in his own defense at trial that, since 1992, he performed printing work for individuals (other than his codefendants) whom he originally thought owned the “Cohiba,” “Romeo y Julieta,” and “Montecristo” marks (R8-765). Guerra also testified that he had never met Ordonez (R8-771-72). Consistent with the testimony given by Tellez, Guerra testified that he had paid Tellez to foil stamp and emboss cigar labels/rings (R8-799). Specifically, Tellez had foil stamped “Cohiba” labels and cut “Romeo y Julieta” labels for Guerra (R8-771). In conformity with the case agent testimony (R6-393-94)(no “Opus X” materials or tobacco found at Guerra’s printing shop), Guerra testified that there were never any cigars at his shop (R8-772).

D. Findings At Sentencing

On January 25, 2000, Senior Judge Lenore Nesbitt conducted a sentencing hearing in this “complicated case” for codefendants Tellez and Guerra (R11-10) (sentencing court granting Tellez’s motion to file sentencing memorandum exceeding page limitations). Defense counsel for Tellez correctly asserted that, as far as Tellez was concerned, the case involved “labels” not “cigars” (R11-11). The district court proceeded to briefly discuss and deny all contentions previously raised in support of a new trial (R11-13-17). It became immediately clear that the sentencing court intended to follow the government’s erroneous interpretation of the statute and treat the mere labels seized in the case as the “infringing items” (R11-18)(referring to PSI table recording number of labels *13 seized, lower court observes that “Tellez has the most infringing items seized”). The government attributed 155,117 trademarks/labels to Tellez, 132,410 trademarks/labels to Ordonez, and 132,317 trademarks/labels to Guerra (R11-19). The United States Probation Office (USPO) differentiated the “Montecristo” labels seized by their gloss, finding “shiny” and “matte” versions of the same label at different search sites. The government had only sent the “matte” labels to the forensic lab. The analysis concluded that the “matte” labels seized from the three different search sites were of “common origin.” The USPO had no information to indicate that the “shiny” labels found during the Tellez searches could be connected to the other two defendants. Of the 92,098 labels found at Tellez’s shop, 91,455 were “shiny” and 643 were “matte” (R11-22-23). In the absence of a “common origin” link, the USPO refused to attribute the 91,455 “shiny” labels found at Tellez’s shop to Ordonez or Guerra. The prosecutor had no dispute as to either the total number of labels found or as to how many labels were “shiny” or “matte” (R11-24).

Turning to valuation, the sentencing court received from the government four (4) affidavits from the trademark owners detailing the retail value of their “genuine cigars” (R11-25-7). The government argued that the retail value of “genuine cigars” should be used to assess a value for each label. It argued against using the retail value of the “infringing item” because, in its view, there was not enough evidence to determine the retail value of infringing items other than Ordonez’s statement that he sold boxes for \$40 to \$100 per box (R11-28-9). At this juncture, Judge Nesbitt correctly noted that “[t]he only way you can have the value of an infringed item is to have an infringer testify or file an affidavit that this is what the counterfeit cigar sells for on the market, on the open market. You don’t have that.” The government then alternatively argued that, if the court were to credit Ordonez’s statement as the only competent evidence on record, it should peg the value at the high end of the \$40 to \$100 range (R11-29-30).

*14 Professing to be “thoroughly confused as to the[] numbers,” the sentencing court took a recess to allow a numerical breakdown as to the labels (R11-35)(“...there are too many numbers floating around here”). The USPO computed a total of 40,862 labels for Guerra from 14,324 “Cohiba” labels, 12,824 “matte” “Montecristo” labels seized at the Ordonez sites, 643 “matte” “Montecristo” labels seized at the Tellez sites, 1,273 “matte” “Montecristo” labels seized at the Guerra site, and 11,798 “Romeo y Julieta” labels. The government maintained the position that all of the “Montecristo” labels seized at all of the sites (whether “matte” or “shiny”) should be attributed to Guerra (R11-36-7). The sentencing court decided to attribute only the 643 “matte” “Montecristo” labels found at the Tellez sites as “reasonably foreseeable” to Guerra. The court also specifically

announced that it would use the \$100 per box valuation (R11-40). Since the “genuine” cigar boxes (containing 25 cigars) would have exceeded the \$100 value as per the affidavits, the Court reasoned that the \$100 value was the “correct valuation” (R11-42).

In turn, counsel for Guerra adopted the argument and supporting authority raised in Tellez’s sentencing memorandum. Counsel restated the contention as requiring that the government show that the seized labels were to become cigars, while highlighting that there was no evidence to indicate where the labels were destined (R11-42-3)(“They were never going to go into the flow of traffic.... if the Court follows the holding in *US v. Tae-Sung*, [] you shouldn’t use the valuation as represented by the Government or the \$100 a box figure”). The court nevertheless used the \$100 valuation, or \$4 per “cigar,” and applied it to the 40,862 “labels” attributed to Guerra to reach an aggregate value of \$163,448 for the “infringing items.” The sentencing court also added an enhancement for Guerra’s “special skills” as a printer. Since the thrust of the trial testimony given by Guerra was to deny his culpability, the sentencing court declined to make any adjustment for “acceptance of responsibility.” The district court arrived at a sentencing range of 18 to 24 months (R11-59-60) and imposed a sentence at the lower *15 end of the guidelines of 18 months to be followed by 2 years of supervised release (R11-64). Interestingly, the district court seemingly heeded the recommendation of the USPO that, due to the lack of any cigar sales (R6-377, 387-88)(case agent testifying that he had no knowledge as to any cigar sales), no restitution should be imposed (R11-67)(“Since there is no items sold, we can’t determine any amount of restitution due”).

Basing his main argument on *Tae-Sung, infra.*, counsel for Tellez objected to the sentencing court’s decision to “attach a \$4 value to 155,000 labels as being the cigars.” Counsel argued that if the court wanted to use a cigar value then it could only be applied to the approximately 3,792 cigars purportedly sold by Ordonez as per the calculations made by the USPO in the PSI, or it should apply values corresponding to “labels.” Counsel introduced as sentencing exhibits the actual invoices issued by Tellez for work done on cigar labels for Guerra’s “Panorama Printing” so as to provide the court with a valuation basis for labels (R11-69-70, 73). Counsel also raised the specter of a *Brady* violation by referring to the fact that an “undercover informant” had been sent to Tellez’s place of business to discuss the sale of cigar labels (R1-13-30-¶5) (affidavit in support of Tellez search warrant application);(R1-42-30-¶5) (same);(R-11-71)(“I also mentioned in my brief, in my sentencing memo, that the Government has a continuing *Brady* obligation to disclose the value of those [labels]”)(emphasis added). Since both the sentencing court and the government had solidified their position as to the valuation methodology, the *Brady* issue raised by Tellez with regard to the suppressed retail value of infringing “labels” known to the government was ignored.

Counsel for Tellez did not dispute the number of labels but rather disputed the value assessed for the items. Preserving the record for appeal, counsel summed up his position as follows: “What the Government has asked you to do is that you evaluate the labels as the finished products, which is precisely what *Tae-Sung* sells you you cannot do.” The sentencing court replied: “Well, I disagree. I think the labels are just *16 one part of an infringing item and that Mr. Tellez was convicted, along with the other defendants, of a conspiracy to counterfeit, sell and sell the counterfeit cigars. Being in possession of the labels was just one part of the conspiracy. So I am holding him responsible for all of the counterfeit items, not just the labels. So I am overruling your objection” (R11-71-2). Counsel fully preserved all of the objections raised in his sentencing memorandum (R11-73, 84).

Before the court allowed Tellez to allocute, it announced that no minor role adjustment would be granted and that a “special skill” enhancement would be imposed. The district court arrived at a sentencing range of 27 to 33 months by applying the \$4 cigar value as to each of over 155,000 labels (R11-80-81). After hearing the allocution by Tellez, at which time he tried to explain his innocent role (R11-81-82), the court imposed a sentence at the lower end of the guidelines of 27 months to be followed by 3 years of supervised release (R11-83). The court found no grounds for a downward departure. *Id.* The district court ended the hearing by formally denying all of the pending motions for new trial and acquittal (R11-85).

*17 STANDARD OF REVIEW

I. Whether there is sufficient evidence to support the jury verdict is a question of law, which in this case involves issues of statutory interpretation, reviewed *de novo*. *United States v. Kramer*, 73 F.3d 1067, 1070 (11th Cir. 1996). Accepting reasonable inferences and credibility choices in the verdict’s favor, the Court must decide whether there was substantial evidence to lead a reasonable fact-finder to reach a conclusion of guilt beyond a

reasonable doubt.

II. Whether the sentencing court properly interpreted the Sentencing Guidelines is reviewed *de novo*. Its application of the guidelines to the facts is reviewed for clear error. *United States v. Jamieson*, 202 F.3d 1293, 1295 (11th Cir. 2000).

III. Whether a *Brady* violation occurred is a question of law reviewed *de novo*.

**18 SUMMARY OF ARGUMENT*

Cesar Tellez, the proprietor of a small one-man foil stamping and embossing shop primarily catering to printers, openly admitted to performing finishing work on various cigar labels for various printing shops. Tellez acknowledged having done such work for his codefendants in the ordinary course of business. However, the searches of his shop and residence failed to produce any cigars. The evidence also failed to show that Tellez ever sold a single cigar (R6-377, 387-88)(case agent testifying that he had no knowledge of “any specific person or business... that received these exact cigars” and that “[he had] no idea whether they sold any”). At most, the evidence established “buyer-seller” relationships between Tellez and his codefendants as opposed to any conspiratorial agreement with the common objective of trafficking in cigars bearing counterfeit marks.

Although the government charged that Tellez both conspired with others to traffic in “cigars” using counterfeit marks and actually trafficked in such cigars, the case agent testimony and closing statements reveal that the government built its case under the misapprehension that mere “labels” fully constituted the infringing “goods” (R6-256; R7-487)(“We found the illegal trademark violations inside the business...We had knowledge, obviously, that there were cigar trademark violations there”)(case agent describing cigar bands as “contraband”); (R8-815, 818)(AUSA Pastor misrepresenting to jury during closing that the mere printing, embossing, or foil stamping of “anything” with trademarked names is “breaking the law” and that “[e]very time they printed a label they violated the law”). Furthermore, the case agents repeatedly testified that the investigation focused upon the mere words/names that had been registered as trademarks (R5-219; R6-253, 386, 416; R7-535);(R7-540)(“this is a counterfeit cigar labels investigation”).

*19 The verdict cannot be sustained under the facts shown at trial without distorting the trademark infringement statute, 18 U.S.C. §2320, beyond recognition. Congress neither intended for the statute to proscribe the trafficking of labels unattached to any goods nor to furnish the trademark owner with a broad monopoly over the trademark in commercial merchandising extending beyond the limited scope of its registered uses. *United States v. Giles*, 213 F.3d 1247 (10th Cir. 2000). Since the various cigar companies owning the trademarks at issue only registered them for cigars, the mere finishing work on labels admittedly performed by Tellez falls outside the purview of the statute.

There was no direct evidence that Tellez joined or intended to join an illegal agreement to violate the trademark infringement statute. Moreover, the expert testimony as to the common origin of certain labels and other seized items neither circumstantially proved the existence of a conspiracy or the actual trafficking of cigars nor did it negate in any way the mere “buy-sell” transactions established at trial. Plainly, the evidence adduced at trial is patently insufficient to sustain the verdict under a proper interpretation of the statute. The erroneous findings entered at sentencing further reflected the fundamental misunderstanding with regard to the ambit of the statute. By mistreating the seized labels as the “infringing items” and arbitrarily assessing each “label” a monetary valuation corresponding to a completed counterfeit “cigar,” both the government and the lower court ran afoul of the statute and the proper application of the corresponding Sentencing Guidelines. *United States v. Tae Sung*, 51 F.3d 92 (7th Cir.1995).

*20 Moreover, a *Brady* violation was committed inasmuch as the government had gathered intelligence through a “confidential source” that Tellez may have been involved in the sale of cigar labels (R1-13-30-¶5)(affidavit in support of Tellez search warrant application);(R1-42-30-¶5)(same). Tellez’s conviction should be reversed or, at a minimum, he should be resentenced.

ARGUMENT AND CITATIONS OF AUTHORITY

I. THERE WAS INSUFFICIENT EVIDENCE AGAINST TELLEZ

In this case of first impression, Tellez asks this Court to determine whether evidence showing him as an individual who merely performed finishing work on labels, that were printed elsewhere and not attached to any goods, is sufficient to violate the federal criminal trademark infringement statute, 18 U.S.C. §2320. Tellez respectfully submits that this Court should conclude that this quantum of evidence is woefully insufficient and reverse his convictions under Counts I, II, III, IV, and VII for conspiracy to traffic and trafficking in counterfeit “cigars” in alleged violation of section 2320.

A. *The Applicable Law - Overview*

Given the dearth of case precedent interpreting the scope of 18 U.S.C. §2320 (there are fewer than 30 published cases), it is perhaps not surprising that only one recent case has addressed a similar situation. In *United States v. Giles*, 213 F.3d 1247 (10th Cir. 2000), the Tenth Circuit Court of Appeals reversed the conviction of appellant Giles under highly analogous circumstances which merit full discussion.

*21 Donald Giles owned a business in Atlanta, Georgia, aptly called “Fabulous Fakes,” which specialized in the sale of “designer look-alikes” such as handbags, belts, watches, and designer accessories. Giles also occasionally sold certain articles in bulk quantities on the wholesale market. The articles at issue were so-called “patch sets” bearing the logo of “Dooney & Bourke,” a manufacturer of high quality handbags, luggage, and accessories. A “patch set” consisted of a leather patch and a gold medallion, both bearing the registered logo of “Dooney & Bourke,” and a leather strap used to attach the medallion to a purse or a piece of luggage. In principle, once the “patch set” would be applied to a plain purse or piece of luggage, the item would appear to have been made by “Dooney & Bourke.”

In June of 1994, the FBI set up a “sting” operation with the help of a confidential informant who was a major distributor of counterfeit merchandise in Oklahoma. FBI officials had offered the informant leniency in a pending prosecution if he agreed to provide assistance in the investigation of other counterfeit merchandise dealers. Under FBI surveillance, the informant contacted various suppliers and customers in an effort to set up a transaction. One supplier provided him with Giles’ name and contact number. The informant then contacted “Fabulous Fakes” and expressed an interest in purchasing 1,000 “patch sets.” The informant contacted the store again in July of 1994 to inquire specifically about the price and shipment of the “patch sets.” The “patch sets” in question were then shipped to Oklahoma where they were promptly seized by the FBI.

*22 Giles was subsequently indicted on one count of trafficking in counterfeit goods in violation of 18 U.S.C. §2320. He was found guilty by a jury and sentenced to sixteen (16) months in prison, a \$3,000 fine, and two (2) years of supervised release. Giles raised a straightforward contention that he could not be legally convicted of violating section 2320 because the language of the statute requires that a defendant both traffic in goods and knowingly use a counterfeit mark “on or in connection with such goods.” An individual who merely traffics in a trademark which is unattached to any goods, Giles argued, does not fall within the ambit of section 2320. The Tenth Circuit Court of Appeals agreed and reversed the conviction.

To convict a defendant under section 2320, the government must prove that he: (1) trafficked or attempted to traffic in goods or services; (2) did so intentionally; (3) used a counterfeit mark on or in connection with such goods and services; and (4) knew the mark was counterfeit. See *Giles*, 213 F.3d at 1249 (citing *United States v. Sultan*, 115 F.3d 321, 325 (5th Cir. 1997)). The courts are mindful that, when the wording of a statute is ambiguous and its legislative history fails to offer clarification, the rule of lenity must be applied and the statute must be construed in favor of the criminal defendant. See *Ladner v. United States*, 358 U.S. 169, 177 (1958). When a choice has to be made between two interpretations of what conduct legislation has criminalized, it is appropriate to require that Congress speak in clear and definite terms before the courts can choose the harsher alternative. *Giles*, 213 F.3d at 1249 (citation omitted).

*23 B. *The Labels Embossed or Foil Stamped by Tellez are not the “Goods”*

The statute refers to trafficking in “goods,” and using the counterfeit mark “on or in connection with such goods.” 18 U.S.C. §2320(a). Thus, whether Tellez can be convicted of violating section 2320 depends in part on how we define the term “goods” within the context of this case. From the superseding indictment (R1-24) and

the opening statements, it is patently clear that the “goods” charged in this case were actual cigars (R5-9-10, 17, 22, 118, 125; R6-326). However, as the case unfolded at trial, the evidence instead demonstrated “a counterfeit cigar labels investigation” (R7-540)(case agent confirming that case involved a labels investigation). Indeed, even the trial court tangentially addressed the issue, albeit within a different context (R8-808-09)(“The trademarks and the names, the cigar rings, were the matters that are alleged in the indictment as spurious or counterfeit. So I don’t think that they need to go to the next step and say that they were actually put on cigars, even though there is some evidence as to some of the cigars in this case”) (emphasis added).

Neither [section 2320](#) nor its civil counterpart, the Lanham Act, [15 U.S.C. §1051](#) *et. seq.*, specifically defines the term “goods.” However, an examination of other definitions contained within the two statutory frameworks indicates that “goods” were intended to be viewed as separate and distinct from the marks they may carry. [Section 2320](#) defines “counterfeit mark” as “a spurious mark that is used in connection with trafficking in goods...” [18 U.S.C. §2320\(e\)\(1\)\(A\)\(i\)](#). The Lanham Act defines “trademark” as “any word, name, symbol, or device, or any combination thereof used ... to identify and distinguish ... goods.” [15 U.S.C. §1127](#). The issue becomes more complicated because a trademark is readily conceived of as an abstract symbol or design which is carried by *24 tangible goods. In actuality, however, the trademark itself often consists of a tangible item such as a label. The issue can be distilled to whether labels can be considered “goods” if they are unattached to any other goods.

This question was addressed in [Boston Professional Hockey Ass’n v. Dallas Cap & Emblem Mfg., Inc.](#), [510 F.2d 1004 \(5th Cir. 1975\)](#). There, the National Hockey League and several of its affiliated teams brought a trademark infringement action against a company that manufactured and sold embroidered patches of the teams’ registered marks. Customers could purchase the patches and sew them on to garments. The plaintiffs sued for alleged violations of the Lanham Act. The former Fifth Circuit recognized that “the difficulty with this case stems from the fact that a reproduction of the trademark itself is being sold, unattached to any other goods or services. The statutory and case law of trademarks is oriented toward the use of such marks to sell something other than the mark itself.” *Id.* at 1010. The Fifth Circuit concluded that, in that case, the goods and the trademark were coextensive - the patch was the actual “good” and the trademark was the thread design embroidered upon it. Trafficking in the emblems thus constituted a trademark violation. In other words, the emblems were the “goods” which defendant sold. The Court reasoned that, when the defendant caused plaintiffs’ marks to be embroidered upon emblems which it later marketed, defendant used those marks in connection with the sale of goods just as if defendant had embroidered the marks directly upon knit caps. That the design covered the face of the product did not alter the fact that the trademark was used in connection with the product. *Id.* at 1011-12 (citation omitted).

*25 The Tenth Circuit in [Giles](#) treated [Boston Professional](#), *supra*, as a case of limited value for several reasons. First, it dealt with civil liability, while [Giles](#) was convicted of violating the criminal trademark infringement statute, which must be narrowly construed. Moreover, the Fifth Circuit limited its opinion to the specific product at hand. [Boston Professional](#), [510 F.2d at 1011](#). Finally, the Tenth Circuit rejected the rationale of the Fifth Circuit as “a novel and overly broad conception of the rights that a trademark entails.” [Giles](#), [213 F.3d at 1250](#). In ruling that the emblems should be protected “goods” regardless of the fact that the plaintiffs’ marks had not been registered for use on patches, the Fifth Circuit essentially gave the plaintiffs a virtual monopoly over the use of the trademark in all commercial merchandising. *Id.* Even the Fifth Circuit acknowledged that it was “slightly tilting the trademark laws from the purpose of protecting the public to the protection of the business interests of plaintiffs.” [Boston Professional](#), [510 F.2d at 1011](#). The Ninth Circuit would later criticize this reasoning in [International Order v. Lindeburg & Co.](#), [633 F.2d 912 \(9th Cir. 1980\)](#), by noting that “this tilt was not slight but an extraordinary extension of the protection heretofore afforded trademark owners.” *Id.* at 919. The Court explained that its “reading of the Lanham Act and its legislative history reveal[ed] no congressional design to bestow such broad property rights on trademark owners.” *Id.* at 918. The Fifth Circuit itself later retreated from the position it adopted in [Boston Professional](#). In [Kentucky Fried Chicken v. Diversified Packaging](#), [549 F.2d 368 \(5th Cir. 1977\)](#), the court rejected “any notion that a *26 trademark is an owner’s ‘property’ to be protected irrespective of its role in the operation of our markets.” *Id.* at 389. For these various reasons, the Tenth Circuit in [Giles](#) declined to follow [Boston Professional](#) in reaching its decision. The “goods” at issue in [Giles](#) would have been the purses and handbags to which the “patch sets” could have been applied. The Tenth Circuit concluded that the “patch sets” were not “goods” within the context of the statute but merely labels. [Giles](#), [213 F.3d at 1251](#). Likewise, in our case, the charged “goods” were cigars to which the labels/rings could be attached. Hence, within the framework of the criminal trademark infringement

statute, the cigar labels/rings were not the “goods” but merely labels. Like the defendant in *Giles*, whose conduct did not confuse any consumer about the origin of goods because there were no “goods” involved in the “patch set” transaction, Tellez’s finishing work on cigar labels/rings could not have engendered any confusion about the origin of goods because he never possessed or transacted any of the charged “goods” (R7-537)(no cigars found during Tellez searches). Moreover, the trademark registrations at issue in our case, which were introduced at trial as government exhibits, specifically covered “cigars” only, not labels. The convictions must be reversed.

C. *The Ambit of Section 2320 Does Not Cover Trafficking in Labels*

In order for the government to have stood a chance to make out a case against Tellez, the statute would have to prohibit trafficking in labels such as the cigar rings/labels that Tellez admittedly foil stamped and/or embossed for remuneration. However, [section 2320](#) does not contain such a prohibition. It is worthwhile to note that *27 another federal criminal provision explicitly makes it unlawful to traffic in counterfeit labels for specific products such as records, computer programs, and motion pictures. *See* [18 U.S.C. §2318](#). *Giles* persuasively argued that if Congress had intended to proscribe trafficking in labels for other goods, it could have explicitly done so. The legislative history of the 1982 amendments to [18 U.S.C. §2318](#), not discussed in *Giles*, lends additional support to the argument. Prior to the redrafting of the statute in 1982, [section 2318\(a\)](#) penalized “the transportation, receipt, sale or offer for sale in interstate or foreign commerce, with fraudulent intent, of articles bearing counterfeit labels” *S.Rep.No. 97-274, at 8 (1982)*, reprinted in 1982 U.S. Code Cong. Adm. News 127, 134 (emphasis added). The 1982 amendments “improve[d] the [then] existing counterfeiting statute by eliminating certain possible loopholes. [Previously], [section 2318](#) require[d] that the counterfeit labels be ‘affixed’ to recordings or films when shipped in interstate commerce....The language of [the amendment] eliminate[d] this loophole by providing that the penalty applies to anyone who knowingly traffics in a counterfeit label ‘affixed or designed to be affixed’ to a record, motion picture or other audiovisual work” *S.Rep.No. 97-274, at 9 (1982)*, reprinted in 1982 U.S. Code Cong. Adm. News 127, 135 (emphasis added). Until such time as Congress similarly amends [18 U.S.C. §2320](#), the existing statute proscribing the trafficking or attempt to traffic in “goods” using counterfeit marks will continue to suffer from its own “loophole,” which currently overlooks the trafficking of labels.

*28 The Tenth Circuit acknowledged the scarcity of case law guiding its determination as to whether [18 U.S.C. §2320](#) should be applied to trafficking in labels. Relying upon the language of the statute, the panel concluded that “[b]ecause the statute does not so provide, we are persuaded that [section 2320](#) does not forbid the mere act of trafficking in counterfeit labels which are unconnected to any goods.” *Giles*, 213 F.3d 1251 (footnote omitted). Therefore, [section 2320](#) does not clearly prohibit trafficking in counterfeit labels which are unattached to any goods. The statutory language, in fact, indicates to the contrary. It cannot be said with confidence that Tellez was adequately informed that the foil stamping and/or embossing in which he engaged could be a federal crime, or that [section 2320](#) was intended to cover his conduct. In any event, applying the rule of lenity, this Court would have to give him the benefit of the doubt and reverse.

D. *Trademarks Cannot be Monopolized Beyond Their Registered Uses*

Moreover, strictly construing the scope of the trademark registration at issue in *Giles*, the Tenth Circuit found yet another obstacle to the prosecution. The statute, by its own terms, proscribes only the trafficking or the attempt to traffic in goods bearing counterfeit marks that are “identical with, or substantially indistinguishable from, a mark registered for those goods or services on the principal register in the United States Patent and Trademark Office.” [18 U.S.C. §2320\(e\)\(1\)\(A\)\(ii\)](#). Criminal liability can only occur “if a spurious mark is used on or in connection with goods or services for which the genuine mark is actually registered... and is in use.” *S.Rep.No. 98-526, at 10 (1984)*, reprinted in 1984 U.S. Code Cong. Adm. News 3627, 3636.

*29 In *Giles*, the trademark registration filed by “Dooney & Bourke” gave the registrant the exclusive right to use its trademark on handbags, briefcases, luggage, tote bags, ties, belts, leather key fobs, wallets, shoes, slippers, gloves, hats, and suspenders. The registrant had made no attempt to register its trademark for use on leather patches or medallions such as the “patch sets” being marketed. *Giles*, 213 F.3d at 1251-52. Had “Dooney & Bourke” desired to obtain trademark protection for the leather patches and medallions themselves as independent items of decoration or jewelry, it probably could have done so. *Giles*, 213 F.3d at 1252, n.7 (citing *Application of Penthouse Int’l, Ltd.*, 565 F.2d 679 (C.C.P.A. 1977))(Penthouse entitled to register its

stylized key mark for jewelry, although the jewelry design was essentially a three-dimensional embodiment of the mark itself). The *Giles* panel found further support for its decision from case law under the Lanham Act. In *Playboy Enterprises v. Universal Tel-a-Talk*, 1998 U.S. Dist. LEXIS 8231 (E.D.Pa. June 3, 1998), the defendants sued by Playboy operated an Internet site featuring pornographic photos. The web site operators used some of Playboy's trademarks, such as the famed Rabbit Head, to advertise links to photo collections. The court found that Playboy failed to state an actionable claim because it had not registered its marks for use on the Internet. "Thus, a claim for trademark counterfeiting lies only against a defendant's counterfeit uses of a mark on the same goods or services as are covered by the plaintiff's registration of that mark." *Giles*, 213 F.3d at 1252 (quoting *Playboy*). As noted heretofore, the trademark registrations at issue in this case covered *30 only cigars, not labels. Therefore, the limited scope of goods covered by the trademark registrations filed in this case imposes an additional insurmountable hurdle for the government's prosecution of Tellez under 18 U.S.C. §2320 which requires reversal.

E. Mere Reproduction of a Trademark Is Not Criminal Infringement

As the Tenth Circuit explains in *Giles*, its conclusions are further supported by the distinction between trademarks and copyrights. The purpose of a trademark is to identify goods so that the public will not be confused as to their source. On the other hand, a copyright is meant to protect the copyright owner's right in an abstract design or other creative product. These distinct purposes shape the contours of the different rights each law creates. "Copyright law gives the author the right to prevent copying of the copyrighted work in any medium. Trademark law prevents the use of a similar mark on such goods or services as would probably cause confusion. Thus, the scope of rights in copyrights and trademarks is defined quite differently." *Giles*, 213 F.3d at 1252 (quoting 1 J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition (1996)). See also *Prestonettes, Inc. v. Coty*, 264 U.S. 359, 368 (1924)("[W]hat new rights does the trademark confer? It does not confer a right to prohibit the use of the word or words. It is not a copyright.").

In the case *sub judice*, the government's patently erroneous interpretation of section 2320 is readily recognizable from its closing statement. There, the prosecutor misrepresented that the mere printing, embossing, or foil stamping of "anything" with trademarked names is "breaking the law" (R8-815). Totally misconstruing the ambit of the statute, AUSA Pastor also incorrectly argued to the jury that "[e]very time they printed a label they violated the law" (R8-818). Putting aside the fact that the evidence showed only one singular printer on trial, defendant Guerra, this thoroughly incorrect *31 statement evinced the government's complete misapprehension of the law. See *Quality Inns v. McDonald's Corp.*, 695 F.Supp. 198, 218 (D.Md.1988)("Unlike a copyright, mere reproduction of a trademark is not an infringement.").

This Court should reinforce the message that the government is to be precluded from "stretch[ing] the trademark statute into an area more appropriate to copyright law," *Giles*, 213 F.3d at 1253 (citing *International Order*, 633 F.2d at 919 (criticizing *Boston Professional* because it "transmogrifies this narrow [trademark] protection into a broad monopoly")) by following the rationale of the Tenth Circuit in *Giles* and reversing the convictions unlawfully entered against Tellez in this case.

1. The Substantive Convictions Must Be Reversed

Even under the light most favorable to the government, it cannot be said that the evidence at trial showed Tellez trafficking in any "cigars" bearing any counterfeit marks. Therefore, for all of the foregoing reasons, appellant submits that his convictions under Counts II ("Cohiba"), III ("Montecristo"), IV ("Romeo y Julieta"), and VII ("Opus X") cannot stand, as a matter of law, due to the insufficiency of the evidence presented. However, Count VII, which charged Tellez with the substantive offense of trafficking in "cigars" using counterfeit "Opus X" marks, stands out among all of the unfounded charges and merits special mention.

In this case, the government can at least point to some evidence reflecting that Ordonez, the only "cigar dealer" on trial, trafficked in counterfeit cigars bearing spurious marks including "Cohiba," "Montecristo," "Romeo y Julieta," and other imitated Cuban trademarks. However, it is undisputed that there were no "Opus X" materials seized from *32 Ordonez (R5-191), who was the only defendant making and selling cigars (R8-822). Indeed, Ordonez, who readily admitted to copying Cuban cigars (R7-618, 626), explained that he never even attempted to copy the "Opus X" cigar because it is not a Cuban brand (R7-627). Additionally, there were no "Opus X"

materials or any cigars of any kind seized from Guerra during the search of his printing shop (R6-393-94; R8-772). Therefore, it is submitted that there was not even a rational evidentiary basis to charge Tellez in Count VII with trafficking in “cigars” using “Fuente y Fuente Opus X” counterfeit marks. All that the evidence shows, even under the light most favorable to the government, is that Tellez, by his own admission, performed finishing work on “Opus X” labels/rings for a printing shop identified as “Al Graphics” (R8-702).

2. *The Conspiracy Conviction Must Be Reversed*

To conscientiously decide whether sufficient evidence was presented to support the conspiracy conviction entered as to Count I, this Court must make the critical distinction between a conspiratorial agreement and “buyer-seller” transactions. “The buy-sell transaction is simply not probative of an agreement to join together to accomplish a criminal objective beyond that already being accomplished by the transaction.” *United States v. Mercer*, 165 F.3d 1331, 1335 (11th Cir. 1999) (quoting *United States v. Townsend*, 924 F.2d 1385, 1394 (7th Cir. 1991)). On the other hand, “conspiracies, which are really ‘agreements to agree’ on the multitude of decisions and acts necessary to successfully pull off a crime, pose an additional risk that the object of the conspiracy will be achieved, and so warrant additional penalties.” *Mercer*, 165 F.3d at 1335 (quoting *33 *Townsend*, 924 F.2d at 1394). “Where the buyer’s purpose is merely to buy and the seller’s purpose is merely to sell, and no prior or contemporaneous understanding exists between the two beyond the sales agreement, no conspiracy has been shown.” *Id.* (citations omitted). As the Eleventh Circuit has repeatedly explained,

the mere agreement of one person to buy what another agrees to sell, standing alone, does not support a conspiracy conviction.... The relationship of buyer and seller *absent any prior or contemporaneous understanding* beyond the mere sales agreement does not prove a conspiracy to sell, receive, barter or dispose of stolen property although both parties know of the stolen character of the goods. In such circumstances, the buyer’s purpose is to buy; the seller’s purpose is to sell. There is no joint objective.

United States v. Dekle, M.D., 165 F.3d 826, 829 (11th Cir. 1999) (quoting *United States v. Solomon*, 686 F.2d 863, 876 (11th Cir. 1982)) (internal quotation marks omitted) (emphasis in original). In *Dekle*, this Court reversed a conspiracy conviction despite evidence of 129 separate transactions over a ten-year period between Dr. Dekle and his female “patients.” *Dekle*, 165 F.3d at 830 (“If the evidence only shows a buy-sell relationship, the fact that the sales are repeated, without more, does not support an inference that the buyer and seller have the same joint criminal objective...”). In *Mercer*, *supra*, this Court also reversed a drug conspiracy conviction after finding no more than a “buyer-seller” relationship, even though the evidence showed that appellant had made multiple sales of drugs. This Court made clear that “the mere fact that the sales took place cannot alone support an inference of conspiracy.” *Mercer*, 165 F.3d at 1336.

*34 Applying these precepts to the facts in this case, the evidence adduced at trial showed no more than ordinary “buy-sell” relationships. Simply put, the evidence was legally insufficient to show a conspiratorial agreement with the common objective of trafficking in “cigars.” Beyond the mere “buy-sell” activities to which Tellez openly admitted in regard to the “labels,” there was no evidence showing any conspiratorial conversations nor any evidence establishing that Tellez and his codefendants had consummated an agreement of any kind in regard to trafficking in “cigars.” *Dekle*, 165 F.3d at 831 (“The government must prove the conspiracy it charged in the indictment rather than some other conspiracy.”) (citation omitted). Of all the physical evidence seized from Ordonez, the only item arguably referring to Tellez was a handwritten sheet of paper introduced as “O-49” noting “Cesar Alpha” and a reference to an apparent balance of “\$1390” related to an unfulfilled order (R5-162-63; R7-658-59, 664-65). Of all the physical evidence seized from Guerra’s printing shop, the only item arguably referring to Tellez was an innocent entry in an address book introduced as “G-13” noting “Cesar foil stamping” and the phone number “819-4010” (R5-174). On the other hand, among the items seized from Tellez, the only reference to either Ordonez or Guerra was limited to a single entry found within an innocuous business record - i.e. a contact list of printers found at Tellez’s embossing shop which included Guerra’s “Panorama” printing shop (R6-298-99). None of the items seized from Tellez made any reference to Ordonez. Significantly, not a single cigar was found during the Tellez searches (R7-537) or the search of Guerra’s printing shop (R6-393-94).

*35 Ordonez, whom the government described as “the visionary, the person with the idea, ... the seller, the trafficker in counterfeit goods” (R8-822), was the only defendant which the evidence showed possessed any cigars for sale. Moreover, Ordonez honorably fell on his own sword and repeatedly admitted that he had acted alone in making copies of famed Cuban cigars (R5-160) (Ordonez “stated over and over [that he was] the only

one [involved]”);(R5-229)(Ordonez voluntarily emphasized to a case agent that “[he was] the one [] counterfeiting, [and that] nobody else [was] involved except for [him]”); (R7-664)(Ordonez, under cross-examination by the case prosecutor, underscored at trial: “I don’t have any [co]conspirators, sir.”). In light of its failure to flesh out any evidence of a “conspiratorial” agreement between any of the men jointly tried, the government attached much weight in its closing to the circumstantial hypothesis supported by its last witness at trial (R8-820)(“Nothing demonstrates this conspiracy more”). Richard Outland, an expert witness in document analysis employed by the U.S. Secret Service forensic laboratory in Washington, D.C., testified (R7-560-95) in relevant part as to the “common origin” of certain items seized at each of the search sites. However, upon a closer inspection, the “common origin” of certain labels (e.g. “Montecristo” cigar rings) and a few of the other seized items does not come close to establishing a “conspiracy” to traffic in “cigars” bearing counterfeit marks. The “common origin” of certain items fails to negate in any way the mere “buyer-seller” relationships shown by the totality of the evidence adduced at trial.

*36 In the ordinary course of business, an independent contractor like Guerra receives printing orders, utilizes his own production materials (screens, plates, negatives, etc.) or materials directly provided by the client, and then shares those production materials with finishing shops, like Tellez’s shop, he subcontracts to provide services such as foil stamping, embossing, and cutting. As defense counsel for Guerra insightfully noted at sentencing, “...all those labels were of common origin because there is a common negative or a common plate that is being utilized by the various printing agencies...So Tellez and Guerra □ obtained it from the same one person who then at the end gets it back” (R11-55). Nothing about these arm’s length “buyer-seller” type activities, to which Tellez openly admitted, establishes a “conspiracy” to traffic in “cigars” using counterfeit marks as charged in the superseding indictment (R1-24).⁹ Therefore, given all of the foregoing, this Court should also reverse the conspiracy conviction (Count I) unlawfully entered against Tellez.

- 8 The only cigar company representative called by the government was Carlos Fuente Jr. who testified that Tellez was never contracted to market, print, or foil stamp labels for “Opus X” cigars (R6-434-35). Fuente was not asked to address the same issue with regard to the other defendants on trial, presumably because no “Fuente y Fuente Opus X” materials of any kind were seized from either Ordonez or Guerra (R5-191; R6-393-94).

*37 II. THE DISTRICT COURT MISAPPLIED THE SENTENCING GUIDELINES

As the objections filed by the government (R2-90) to the PSI demonstrate, government counsel employed a distorted rationale to the facts of this case in order to arrive at an enhanced total offense level for Tellez of 18 or 20. AUSA Pastor recommended alternative valuation methodologies to assess the value of the infringing items (R2-90-4-10)(rationale for alternative total offense levels of 18 or 20). Tellez, through his sentencing memorandum, objected to each of the adjustments sought by the government (R2-99).

A. *The “Retail Value of the Infringing Items”*

The applicable sentencing guideline section for the instant violations of 18 U.S.C. §2320 is §2B5.3.¹⁰ Pursuant to §2B5.3(b)(1), if the retail value of the *infringing items* exceeds \$2,000, the constant base offense level of 6, *see* §2B5.3(a), is increased by reference to the table found in §2F1.1 of the Sentencing Guidelines.

- 9 The trial court’s complete failure to instruct the jury on “attempt” law arguably allows the appellant and the reviewing court to presume that the jury could have only convicted him of a conspiracy to traffic cigars bearing counterfeit marks (Count I) and the substantive trafficking of such cigars (Counts II, III, IV, and VII). The trial court did not hold a “charge conference” during the trial. Given this particular failure to instruct, the jury may have been effectively precluded from convicting under any “attempt” theory. *But see* (R8-814)(government closing emphasizing that “[t]his case is about each of these defendants’ attempt to take a cheap 25 cent cigar ... put a fake and counterfeit label on them, to create this [cigar box] for up to a hundred dollars each.... in an attempt to fool the public that they are selling you the real thing”)(emphasis added). Due to the general verdict form used, the distinction cannot be made. However, the broad brush nature of appellant’s insufficiency argument based on *Giles* would require reversal even if the jury had found a conspiracy to attempt (Count I) and attempts to traffic (Counts II, III, IV, and VII) in the absence of any jury instruction on attempt law.

Significantly, Application Note 1 of §2B5.3 clearly defines the “infringing items” to be assessed a value as “the items that violate the [] trademark laws (not the legitimate items that are infringed upon)”(emphasis added).

Therefore, only through skewed analysis and an inapposite extension of the readily distinguishable holding of the Fifth Circuit in *United States v. Kim*, 963 F.2d 65 (5th Cir.1992), did the government disingenuously present its spurious argument. AUSA Pastor asserted that the entirety of the 155,017 trademarks seized from Tellez, (R11; PSI-10-¶19), should be assessed an aggregate value for purposes of punishment in accordance with the retail values of the “genuine cigars” whose trademarks were allegedly infringed (R2-90-7-10; R11)(treating *38 each infringing label attributed to Tellez as a “genuine cigar”). Simply put, the government persuaded the lower court to erroneously treat the mere “labels” ascribed to Tellez as if each such “label” was actually a finished counterfeit “cigar.” Furthermore, the prosecution asked the lower court to attach to each of these 155,017 conjured “cigars” a value corresponding to a suggested retail price list for the genuine cigars (R2-90-7; R11). The operative facts of the case *sub judice* were readily distinguishable from the scenario encountered in *Kim*, *supra*. The Fifth Circuit holding, upon which the government heavily relied, specifically found that the district court had erred in its interpretation of the predecessor §2B5.4.¹¹ In *Kim*, federal agents seized assorted items of finished counterfeit merchandise bearing the Gucci, Louis Vitton, and Rolex trademarks. The appellate panel held that, in a case of trademark violation, “the clear and unambiguous phrase ‘retail value of the infringing items’ refers to the counterfeit merchandise [.]” *Kim*, 963 F.2d at 68, rather than the retail value of the genuine merchandise. *Accord* Application Note 1, §2B5.3, *supra*. However, the appellate court found no error in the factual determination of the retail value of the infringing items based on the retail value of the genuine items where Kim “made no attempt to submit evidence of the retail value of the infringing items.” *Kim*, 963 F.2d at 68 (footnote omitted). The panel concluded that the retail value of genuine goods was “relevant” in determining the retail value of the infringing items, “under the facts of th[e] case,” *Id.* at 69.

- 10 The PSI properly groups the counts of conviction under §3D1.2 (PSI-13-¶28). Prior to November 1, 1993, the applicable guideline for trademark violations charged under 18 U.S.C. §2320 was §2B5.4. As of that effective date, §2B5.4 was deleted by consolidation with the amended §2B5.3 (criminal infringement of copyright or trademark).

*39 Here, in our case, the trial record itself was replete with references to the retail value of the cigars seized from lead defendant Ordonez (R7-553, 645, 654)(cigar boxes for sale at \$40 to \$100 each). Moreover, unlike the position taken by the probation officer in *Kim*, the conscientious work product of the USPO for the Southern District of Florida, applying principles of lenity, had specifically assessed the lower end retail value of “\$40 per box” of 25 counterfeit cigars, “or \$1.60 per infringing item,” based upon the evidence adduced at trial (R11; PSI-13-¶30). Taking into account the retail value of the genuine cigars, the district court ultimately endorsed the alternative argument presented by the government that “[p]recisely because the Defendants were marketing these counterfeit cigars as *legitimate* Cuban cigars... the Court should, at the very minimum, use the higher, and somewhat more realistic \$100 [per box] figure to calculate the loss”¹² (R2-90-9; R11-42)(emphasis in original); *compare* (R7-655)(cigars were represented as “Dominican imitating the Cuban cigar”). The various theories the government injected at sentencing are so infected with fatal contradictions *vis-à-vis* the evidence adduced at trial, it is respectfully submitted that this Court should summarily reject the government’s incongruous stance in favor of the reasoned position advanced by Tellez *infra*.

- 11 See n.10, *supra* (historical note).

*40 B. *This Court should follow United States v. Tae Sung*

The “inventory list” of items seized as a result of the comprehensive searches conducted at both the one-man shop operated by Tellez and his residence (R7-478-93) (inventory list detailed through the cross-examination of Special Agent Villanueva), reflects a large unverified number of cigar “labels” described as counterfeit.¹³ However, it is undeniably clear from the record that *not a single cigar* was ever found either at the home of defendant Tellez or his place of business (R7-537)(case agent testifying that inventory list shows that “there was no tobacco found[.]”). Government counsel cannot seriously attempt to refute this inescapable factual finding of pivotal importance. Hence, the sentencing was fatally flawed inasmuch as it embraced the “fundamentally unfair” fiction that Tellez, who, at worst, merely stamped, embossed, and/or cut cigar “labels” printed elsewhere,¹⁴ should be held accountable for 155,017 “labels,” as if they were actually the “infringing items” - finished counterfeit “cigars.”

- 12 *But see United States v. Cho*, 136 F.3d 982 (5th Cir. 1998) (retail value of infringing items consisting of finished counterfeit brand name handbags, not “loss” resulting from defendant’s trademark infringement, used to determine sentence increase dictated by interplay of §§2B5.3(b)(1) and 2F1.1)(following *Kim*).

13 The PSI arrived at a post-trial, inherently difficult to audit, total estimate of 155,017 allegedly infringing trademarks (PSI-10-¶19).

Our contention, we respectfully submit, is especially compelling in a case where all the trial record demonstrates even against the alleged trafficker, Louis Ordonez, is that he purchased no more than 5,125 cigars for approximately 25 cents each (R7-653-54) (establishing exact unit cost of 5,125 [generic] Dominican cigars purchased by Ordonez during alleged conspiratorial period). Moreover, Ordonez disposed of only about 3,792 of those cigars during the “time of the charged conspiracy and trafficking” (PSI-12-¶25).

*41 A highly instructive decision handed down by the Seventh Circuit guides our analytical path like a beacon. In the persuasive precedent of *United States v. Tae Sung*, 51 F.3d 92 (7th Cir.1995) (“Tae Sung I”), the Seventh Circuit was confronted with a scenario where the appellant had been held accountable at sentencing for the retail value of 240,000 filled bottles (based on 20,000 cartons bearing a counterfeit trademark, each with room to hold twelve (12) bottles of counterfeit merchandise retail valued at \$4 per filled bottle). However, the case evidence only showed that at most 17,600 bottles could have been filled and sold given the amount of filler available. Summarizing its decision, the panel held as follows:

§2B5.3 tells the court to impose a sentence based on the retail value of infringing products; §2F1.1 does not answer the question whether the infringing boxes [here, labels] should be treated as if they represented the retail value of the completed product or only the value of the boxes [here, labels] themselves; to answer that question one visits §2X1.1 and learns that everything depends on how close the defendant came to completing additional crimes. By purchasing the boxes [here, stamping, embossing, and/or cutting labels], Kim [here, Tellez] took a step toward the sale of 240,000 counterfeit bottles [here, transfer of 155,017 labels]. That attempt is enough to count the retail value of the whole 240,000 bottles [here, 155,017 labels], if intent to sell 240,000 bottles [here, to transfer 155,017 labels] has been established with “reasonable certainty”, subject to a deduction of 3 levels under §2X1.1(b)(1) unless Kim “was about to complete all necessary acts but for apprehension”. It is not clear to us that “but for apprehension” Kim [Tellez] had any hope of reaping a million dollars [(PSI-13-¶30: \$248,027);(R2-90-7-9)(\$1,709,518 or \$620,068)] from counterfeit hair products [labels], but the district court should make the essential inquiries in the first instance.

Tae Sung I, 51 F.3d at 95-6 (emphasis added; brackets added); *see also* *42 *United States v. Tae Sung*, 87 F.3d 194 (7th Cir. 1996) (“Tae Sung II”) (vacating same sentence reimposed in violation of remand instructions in *Tae Sung I* and government concession at resentencing that defendant was entitled to deduction of 3 levels under §2X1.1(b)(1)).

When applied to the corresponding factual scenario encountered in our case, the rationale of *Tae Sung I & II* (applying strict “reasonable certainty” standard) precludes the metamorphosis impermissibly allowed below. Indeed, the government would have this Court arbitrarily transform the 155,017 “labels” attributed to Tellez into an equal number of finished counterfeit “cigars” assessed a retail value of \$4 per infringing item. As delineated in *Tae Sung II*, 87 F.3d at 195-96, two questions have to be addressed:

First, whether the evidence establishes ‘with reasonable certainty’ that [Tellez] intended to sell [here, transfer 155,017 labels]; second, whether [Tellez] ‘was about to complete all [necessary] acts but for apprehension.’ The first inquiry is subjective, the second objective.... But was a plan to sell [here, transfer 155,017 labels] established ‘with reasonable certainty’? This is a higher standard than the preponderance rule that ordinarily governs at sentencing.

Id. 87 F.3d at 195-96 (brackets added).

Even under the light most favorable to the government, the evidence only shows Ordonez trafficking at most 5,125 cigars, of which 1,050 or 1,333¹⁵ cigars remained at the time of seizure. Given these irrefutable facts, it would be clearly erroneous to find with the requisite “reasonable certainty” that Tellez intended to traffic in 155,017 labels or cigars. Nor can a reasonable conclusion be reached from the record that Tellez “was about to complete all [necessary] acts but for apprehension.” *Id.* at 195-96.

14 (R7-537)(case agent testifying on redirect that he has no personal knowledge of where negatives or embossing

plates found in connection with Tellez searches were made);(R7-672)(Tellez’s stamping and embossing shop does not have equipment to do any printing or to make any plates).

*43 Even if one were to allow for an amendment of the theory of prosecution in order to substitute the “labels” in lieu of the “cigars” as the counterfeit “goods” being trafficked,¹⁶ the government could still not establish with “reasonable certainty” that Tellez intended to traffic approximately 155,017 labels *and* that he “was about to complete all [necessary] acts but for apprehension.” *Id.* However, under such an amended theory of prosecution, the “retail value of the infringing items” could only be rationally assessed as to the 155,017 labels using the retail value of the infringing labels (not cigars). It is respectfully submitted that, under the controlling legal analysis enunciated in *Tae Sung I & II*, the foregoing are the only conclusions that could be reasonably argued from the record even under the light most favorable to the government. Recapitulating the mechanics of the applicable analysis, “[u]nless [Tellez] ‘was about to complete all [necessary] acts but for apprehension,’ §2X1.1(b)(1), a three-level reduction is obligatory. Intent to sell [transfer] more is a necessary but not a sufficient condition. [] Any finding that [Tellez] was just about to [] sell another [155,017 labels/cigars] when he was nabbed would be clearly erroneous.” *Tae Sung II*, 87 F.3d at 196.

15 *Compare* (PSI-12-¶25)(“In June 1998, approximately 1,333 cigars were found and seized”) *and* (PSI-6-¶7)(“Based on the items seized, at least 1,050 cigars were seized”)(emphases added).

Assuming *arguendo* that Tellez was engaged in the trafficking of counterfeit “labels,” (R1-13-30-¶5)(affidavit in support of Tellez search warrant application);(R1-42-30-¶5)(same);(PSI-5-¶6)(confidential source told agents that Tellez offered to sell 50,000 “Cohiba” and 1,000 “Opus X” cigar rings), the trial record does not support a finding that Tellez “was about to complete all [necessary] acts but for apprehension.” Therefore, if Tellez were to be held accountable for attempting to transfer or sell the 155,017 “labels,” a three (3) level reduction would be required. *See* *44 *Tae Sung I*, 51 F.3d 92, 95 (7th Cir. 1995)(*quoting* §§2X1.1(a),(b)(1)). For even if he took “a substantial step toward achievement of additional offenses under §2320 [by the finishing work done on the 155,017 “labels”] and therefore [could arguably be held accountable for] an attempt, [Tellez] had not ‘completed all the acts [he] believed necessary for successful completion of the substantive offense’ with respect to any sales [of labels or cigars] beyond [the maximum of 5,125 cigars for which he could arguably be held vicariously accountable].” *Tae Sung I*, 51 F.3d 92, 95 (7th Cir.1995).¹⁷ Finally, it is important to underscore that there is no rational evidentiary basis to suggest that Tellez had the intent to traffic or, for that matter, the outlet to enable him to traffic in 155,017 counterfeit “cigars.” *Cf. United States v. Eshkol*, 108 F.3d 1025, 1030 (9th Cir. 1997)(“fully counterfeit” currency requirement).

16 (R7-540)(AUSA eliciting agent confirmation that “this is a counterfeit cigar labels investigation”)(emphasis added).

The guiding analytical principles articulated by the jurists who authored *Tae Sung I & II* require limiting the potential adjustments to Tellez’s base offense level of 6 to one of the scenarios enumerated below. The ultimate endorsement of one of these scenarios greatly depends upon the Court’s finding as to what part, if any, of the total number of 5,125 cigars purchased by Ordonez were “reasonably foreseeable” to Tellez for purposes of assessing his vicarious responsibility. *See United States v. Cover*, 199 F.3d 1270, 1274 (*quoting* §1B1.3(a)(1)(B)).

*45 (1) *The total of 5,125 cigars purchased by Ordonez*

no more than “the retail value of the infringing items,” using the total number of 5,125 cigars purchased by Ordonez during the conspiratorial period, multiplied by no more than \$4 per infringing item, for no more than an aggregate value of \$20,500 which corresponds to a four (4) level increase under §2F1.1(b)(1)(E) for an adjusted total offense level of 10; or

(2) *The total of 4,750 cigars disposed of and ready for sale*

no more than “the retail value of the infringing items,” using a total number of 4,750 cigars representing the number of cigars disposed of during the conspiratorial period and the number of finished cigars “ready for sale” seized at the Ordonez home,¹⁸ multiplied by no more than \$4 per infringing item, for no more than an aggregate value of \$19,000 which corresponds to a three (3) level increase under §2F1.1(b)(1)(D) for an adjusted total

offense level of 9; or

- 17 See generally, *United States v. Cover*, 199 F.3d 1270, 1274 (11th Cir. 2000) (“Under U.S.S.G. §1B1.3(a)(1)(B), a coconspirator’s sentence shall be determined on the basis of ... all reasonably foreseeable acts and omissions of others in furtherance of the jointly undertaken criminal activity ... that occurred during the commission of the offense of conviction, in preparation for that offense, or in the course of attempting to avoid detection or responsibility for that offense”).

(3) *The total of 3,792 cigars disposed of by Ordonez*

no more than “the retail value of the infringing items,” using the total number of 3,792 cigars disposed of by Ordonez during the conspiratorial period,¹⁹ multiplied by no more than \$4 per infringing item, for no more than an aggregate value of \$15,168 which corresponds to a three (3) level increase under §2F1.1(b)(1)(D) for an adjusted total offense level of 9; or

- 18 4,750 cigar count is computed by subtracting 375 cigars, (PSI-6-¶7) (“[a]gents also found ... approximately 15 bundles of unbranded [generic] cigars from the Dominican Republic with each bundle containing approximately 25 cigars each”), from the total of 5,125 cigars purchased by Ordonez during the conspiratorial period (PSI-12-¶25).

*46 (4) *The total of 1,050 or 1,333 cigars seized from Ordonez*

no more than “the retail value of the infringing items,” using a total number of 1,050 or 1,333 cigars seized at the Ordonez home,²⁰ multiplied by no more than \$4 per infringing item, for no more than an aggregate value of \$4,200 (1,050 x 4) or \$5,332 (1,333 x 4) which corresponds to a one (1) level increase under §2F1.1(b)(1)(B) or a two (2) level increase under §2F1.1(b)(1)(C) respectively. If the Court deems that Tellez should only answer for the 1,050 or 1,333 cigars seized and that his conduct is only subject to punishment as an incomplete attempt, the obligatory countervailing three (3) level decrease provided under §2X1.1 would have to be applied to the one (1) level increase under §2F1.1(b)(1)(B) for a net decrease of two (2) levels and an adjusted total offense level of 4 or to the two (2) level increase under §2F1.1(b)(1)(C) for a net decrease of one (1) level and an adjusted total offense level of 5; or

- 19 (PSI-12-¶25) (“it appears Mr. Ordonez sold or disposed of approximately 3,792 cigars...”); but see n.15, *supra* (PSI internally ambiguous as to whether 1,333 or 1,050 cigars actually seized at time of search).

(5) *The total of 155,017 labels attributed to Tellez*

no more than “the retail value of the infringing items,” using the 155,017 labels attributed to Tellez, multiplied by the retail price of each label, computed based upon data either to be provided by the defense or upon the suppressed data yet to be disclosed by the government (PSI-5-¶6; R1-13-30-¶5; R1-42-30-¶5).²¹ Whatever level of enhancement is determined under §2F1.1, a countervailing three (3) level decrease would be required under §2X1.1 under the specific facts of this case. In accordance with Application Note 4 and the Background Note of §2X1.1 (guideline applicable to 18 U.S.C. §371), the Court must set whichever offense level is greater between this scenario or the counterfeit “cigar” trafficking scenarios fully described above under (1), (2), or (3).

- 20 See n.15, *supra*.

*47 In order to assist the Court, Application Note 4 and the Background Note of §2X1.1 are set forth below:

4. In certain cases, the participants may have completed (or have been about to complete but for apprehension or interruption) all of the acts necessary for the successful completion of part, but not all, of the intended offense. In such cases, the offense level for the count (or group of closely related multiple counts) is whichever of the following is greater: the offense level for the intended offense minus 3 levels (under § 2X1.1(b)(1), (b)(2), or (b)(3)(A)), or the offense level for the part of the offense for which the necessary acts were completed (or about to be completed but for apprehension or interruption). For example, where the intended offense was the theft of \$800,000 but the participants completed (or were about to complete) only the acts necessary to steal \$30,000, the offense level is the offense level for the theft of \$800,000 minus 3 levels, or the offense level for the theft of \$30,000, whichever is greater.

Background: In most prosecutions for conspiracies or attempts, the substantive offense was substantially completed or was interrupted or prevented on the verge of completion by the intercession of law enforcement authorities or the victim. In such cases, no reduction of the offense level is warranted. Sometimes, however, the arrest occurs well before the defendant or any coconspirator has completed the acts necessary for the substantive offense. Under such circumstances, a reduction of 3 levels is provided under §2X1.1(b)(1) or (2).

III. THE GOVERNMENT VIOLATED ITS BRADY OBLIGATIONS

A. *The Applicable Law*

In *Brady v. Maryland*, 373 U.S. 83 (1963), the Supreme Court held that “the suppression by the prosecution of evidence favorable to an accused upon request violates due process where the evidence is material either to guilt or to punishment, irrespective of the good faith or bad faith of the prosecution.” 373 U.S. at 87.

*48 In order to establish a *Brady* violation, a defendant must prove: “(1) the prosecution’s suppression of evidence, (2) the favorable character of the suppressed evidence for the defense; (3) the materiality of the suppressed evidence.” *Sellers v. Estelle*, 651 F.2d 1074, 1076 (5th Cir. Unit A 1981) (citation omitted).

B. *The Government Suppressed Evidence Favorable to Tellez*

U.S. Secret Service agents obtained a search warrant for Tellez’s shop (R6-251) based on information received from an unidentified confidential informant. According to the affidavit filed in support of the warrant application, the “confidential source,” who did not testify at trial, represented to case agents that Tellez had provided him/her with a sample “Opus X” cigar label/ring and offered to sell him/her 50,000 “Cohiba” and 1,000 “Opus X” counterfeit cigar labels/rings during a meeting conducted at Tellez’s shop in late May, 1998 (R1-13-30-¶5; R1-42-30-¶5; PSI-5-¶6). Purportedly, Tellez told the confidential source that more labels/rings could be produced if needed. *Id.* Although the affidavit does not make reference to any specific price quoted for the labels, under the circumstances, it is reasonable to presume that the unidentified confidential informant obtained a price quote from the person who was purportedly offering him/her cigar labels/rings for sale.

Counsel for Tellez raised the specter of a *Brady* violation in both his sentencing memorandum and during the sentencing hearing (R2-99; R11-71) (government has a continuing *Brady* obligation at sentencing to disclose value of labels). These requests for disclosure of favorable evidence fell on deaf ears as both the government and the sentencing court sidestepped the issue (R11-71-2). The government must once again be reminded of its continuing *Brady* obligation to furnish the defense any and all intelligence obtained by its source(s) (R1-13-30-¶5; R1-42-30-¶5) and any other data available to the *49 government which would be helpful in determining the “retail [‘street’] value” of counterfeit labels (R11-29)(sentencing court reasoning that “[t]he only way you can have the value of an infringed item is to have an infringer testify or file an affidavit that this is what the counterfeit cigar sells for on the market, on the open market”).

There can no longer be any doubt that the suppressed evidence is material to both guilt, *see United States v. Giles*, 213 F.3d 1247 (10th Cir. 2000) (trafficking in labels falls outside ambit of section 2320), and to punishment, inasmuch as the suppressed evidence would show that Tellez was not engaged in indictable conduct and/or because the sentencing court would require the best available data concerning the retail value of the infringing labels. Hence, it is submitted that a *Brady* violation has been established since the suppressed evidence would have undoubtedly been favorable to the defense and materially impacted the trial and/or sentencing. *Sellers v. Estelle*, 651 F.2d 1074, 1076 (5th Cir. Unit A 1981)(citation omitted). As a result of this violation of appellant’s due process rights, this Court must either remand the matter for a new trial, or, in the alternative, a resentencing to allow the lower court to consider the import of the suppressed evidence.

*50 CONCLUSION

For the foregoing reasons, this Court should reverse the judgment of conviction and direct that the indictment against Tellez be dismissed. In the alternative, this Court should remand this case to the district court for a new

trial or a resentencing with instructions. For the various reasons stated in Guerra's adopted brief, this Court should grant the relief requested therein.

- 21 The retail price of the infringing labels may also be extrapolated from the combined material, printing, and finishing costs of the labels (e.g., R8-699-700)(price list of various finishing services available through the Tellez shop introduced into evidence as B-10); (R11-69-70, 73) (invoices introduced as sentencing exhibits covering work performed by Tellez on labels for Guerra)(attached hereto as an Appendix).

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