



NEW YORK CITY LAW DEPARTMENT  
OFFICE OF THE CORPORATION COUNSEL

Michael A. Cardozo, *Corporation Counsel*

Press Release

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## CITY SUES DELIVERY SERVICE FOR BOOTLEG CIGARETTE DISTRIBUTION

**LAWSUIT CHARGES VIRGINIA-BASED LASERSHIP, INC., WITH DELIVERING MORE THAN 25 TONS OF CONTRABAND CIGARETTES TO CITY RESIDENTS IN CONCERT WITH ILLEGAL SHIPPING NETWORK**

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New York, N.Y. October 25, 2013 – Corporation Counsel Michael A. Cardozo, Health Commissioner Thomas A. Farley, and Finance Commissioner Beth E. Goldman today announced the filing of a lawsuit against LaserShip, Inc., a Virginia-based package delivery service servicing much of the East Coast.

The City's suit, filed in the U.S. District Court for the Southern District of New York, alleges that LaserShip delivered "untaxed," contraband cigarettes to New York City residents, in violation of the federal Contraband Cigarette Trafficking Act (CCTA), the federal Prevent All Cigarette Trafficking Act (PACT), federal racketeering statutes, and state laws barring consumer deliveries of cigarettes.

According to the City's complaint, LaserShip acted in concert with a broader delivery network that schemed to avoid the requirements of the PACT Act—the federal law that requires cigarette sellers to assure that all taxes have been paid on cigarettes they ship to consumers and prohibits the U.S. Postal Service from allowing cigarettes in the mail. The delivery network was organized for a group of upstate cigarette vendors by Regional Integrated Logistics, Inc., a Buffalo, N.Y. logistics firm, for the purpose of shipping "untaxed" cigarettes nationwide. LaserShip, Inc., joined the network and from 2011 through May 2013, made thousands of deliveries of contraband cigarettes to stores, residences, and offices throughout the City. Its participation was halted only when the City obtained a May 2013 court injunction against Regional's continued cigarette deliveries in a case entitled *City of New York v. Robert Gordon and Regional Integrated Logistics, Inc.*, 2012-cv-4838 (S.D.N.Y.). LaserShip's participation in the illegal network was extensive and entailed the delivery of approximately 75,000 cartons of cigarettes into the City.

Corporation Counsel Michael A. Cardozo said, "All businesses, especially the package delivery industry, must understand the enormous legal penalties they face in doing business with cigarette traffickers. If you engage in these illegal activities, we will take aggressive action."

"Making cigarettes expensive is one of the best ways to get people to quit smoking and keep youth from starting," said Health Commissioner Dr. Thomas Farley. "Making cheap, illegal cigarettes available hurts the health of New York City—it keeps people smoking and makes cigarettes easier for kids to buy."

"In addition to putting honest businesses at a competitive disadvantage, this company's actions cost nearly \$4.4 million to the State and City in foregone cigarette tax revenue used to fund vital services," said Finance Commissioner Beth Goldman. "I would like to thank Sheriff Domenech and his team for their work on this investigation, as well as Corporation Counsel Cardozo and his dedicated staff for filing this lawsuit to protect the physical and fiscal health of this city."

Federal law provides for penalties of up to \$5,000 per violation for violations of the PACT Act or the CCTA, as well as treble (or triple) damages under federal racketeering statutes, which classifies cigarette trafficking as a “racketeering” offense. State law provides for a maximum penalty of \$5,000 per delivery or \$100 per pack of cigarettes delivered to a consumer, whichever is greater.

The City’s lawsuit also invoked Public Health Law § 1399-II, which prohibits carriers from delivering cigarettes to consumers. The filing follows on the heels of the Governor’s Sept. 2013 signing of Public Health Law amendments enacted by the Legislature that provide the City with the authority to enforce the statute.

The City’s legal team on this matter included Eric Proshansky, Deputy Chief of the Law Department’s Affirmative Litigation Division, and Senior Counsel Aaron Bloom of the same Division.

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