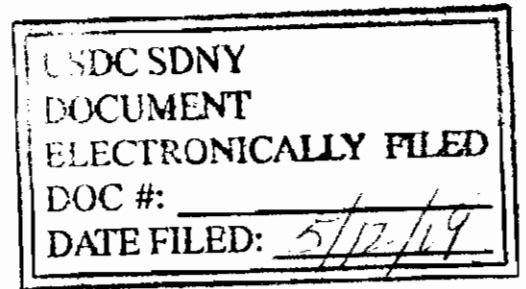


UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK



INTERNET DIAMOND EXCHANGE, LLC,
RAPAPORT USA, MARTIN RAPAPORT, &
DIAMONDS.NET LLC,

Plaintiffs-Counterclaim
Defendants,

- against -

IDEX ONLINE, LTD., IDEX ONLINE
ISRAEL LTD., IDEX ONLINE S.A., JOHN
DOES I-XX, ROE CORPORATIONS
I-XX, IDEX ONLINE USA, & IDEX ONLINE,

Defendants-Counterclaim
Plaintiffs.

1:04-cv-06626-RJH

ORDER

This is an intellectual property dispute between plaintiffs Internet Diamond Exchange, LLC, Rapaport USA, Martin Rapaport, and Diamonds.net LLC (collectively "Rapaport") and defendants IDEX Online, Ltd., IDEX Online Israel, Ltd., IDEX Online S.A., IDEX Online USA, and IDEX Online (collectively "IDEX"). This Order resolves three motions currently before the Court: (1) IDEX's motion for leave to assert supplemental counterclaims arising out of Rapaport's use of the GUARANTEED DIAMOND TRANSACTIONS ("GTD") trademark; (2) IDEX's motion to supplement the pleading of its third counterclaim for common law unfair competition; and (3) IDEX's motion to compel compliance with the Court's January 4, 2008 Discovery Order. The Court assumes familiarity with the facts and the record of prior proceedings.

1. IDEX's Motion for Leave to Assert Supplemental Counterclaims. In its first motion, IDEX seeks leave to assert supplemental counterclaims arising out of Rapaport's

alleged infringement of the GTD mark beginning in May 2008. The practical question raised by the motion is whether litigation concerning the GTD mark should proceed as part of this case or in a new, related case under a separate docket number.

Federal Rule of Civil Procedure 13(e) provides that “[t]he court may permit a party to file a supplemental pleading asserting a counterclaim that matured or was acquired by the party after serving an earlier pleading.” The decision to grant or deny such a motion is “totally within the trial court’s discretion.” Charles Alan Wright, Arthur R. Miller, & Mary Kay Kane, *Federal Practice and Procedure* § 1428, at 209 (2d ed. 1990). Factors relevant to the Court’s decision include “whether the case has progressed so far that it may be inconvenient or confusing to allow the additional claim to be pleaded;” “whether the supplemental counterclaim arises out of the same transaction or occurrence or course of conduct that is the subject matter of the opposing party’s claim;” “whether the counterclaim has been asserted in good faith;” “[t]he amount of time that has elapsed between the accrual of the counterclaim and its assertion;” and “the stage of litigation reached by the original claim.” *Id.* § 1428, at 209-11.

This case began on August 16, 2004, when it was transferred to the Southern District of New York from the District of Nevada. The first of many case management orders called for fact discovery to be completed by June 15, 2005 and expert discovery to be completed by September 15, 2005; the case was to be trial-ready by March 30, 2006. (Docket No. 8.) In the years since that order was entered, the Court has granted scores of requests to amend the pleadings and extend procedural deadlines. Discovery, which did not go smoothly, finally closed in June 2008.

In view of this long history, the Court concludes that separate proceedings are most likely to lead to the efficient resolution of the universe of the parties' claims. Rapaport's original claims relate to its INDEX trademark and Idex's alleged infringement of that mark beginning in 1999. (*See* Fifth Am. Compl. ¶¶ 39-43.) By contrast, Idex's proposed counterclaims relate to its GTM mark—which did not exist until 2008—and allege continuing violations of that mark. (*See* Prop. Second Am. and Supp. Counterclaims ¶¶ 37-46.) Although Idex asserted its supplemental counterclaims promptly and in apparent good faith, reopening discovery at this late stage would inevitably delay judgment on the original claims, some of which relate to conduct that occurred nearly a decade ago. Moreover, litigating the GTD claims in a separate proceeding will not unduly prejudice any party; the GTD claims are not compulsory within the meaning of Rule 13(a), and any new action will be transferred to the undersigned under Local Rule 15.

Idex's motion to assert supplemental counterclaims related to the GTD mark is denied without prejudice to the assertion of those claims in a new lawsuit.

2. Idex's Motion for Leave To Supplement the Pleading of its Third Counterclaim. Idex next "seeks to expand the pleading of its Third Counterclaim for Unfair Competition . . . to encompass the complete spectrum of abusive, exclusionary, and anticompetitive conduct in which Rapaport has engaged in its campaign to damage IDEXONLINE as a viable competitor." (Idex Mem. 12.)

Federal Rule of Civil Procedure 15(a)(2) provides in relevant part that "a party may amend its pleading only with the opposing party's written consent or the court's leave." "In the absence of any apparent or declared reason—such as undue delay, bad

faith or dilatory motive on the part of the movant, repeated failure to cure deficiencies by amendments previously allowed, undue prejudice to the opposing party by virtue of allowance of the amendment, futility of amendment, etc. - the leave sought should, as the rules require, be 'freely given.'" *Foman v. Davis*, 371 U.S. 178, 182 (1962).

Because discovery is complete, supplemental pleading of Idex's third counterclaim will not prejudice any party. And none of the other circumstances that might justify denying a pleader leave to amend its pleading appears to be present here. Rapaport contends that the counterclaim, as amended, is fatally flawed. (*See* Rapaport Mem. 11-14.) But this argument is best addressed at summary judgment, not in the present procedural posture.

Idex's motion to supplement the pleading of its third counterclaim is granted.

3. *Idex's Motion to Compel.* In its last motion, Idex seeks to compel compliance with the Court's Order of January 4, 2008. Among other things, that Order required Rapaport to produce profit and loss statements, cash flow statements, and price lists for the Rapaport Diamond Report, the RapNet service, and the INDEX service. Rapaport contends that most of the information Idex seeks has already been produced (Rapaport Mem. 30-31), and that the remaining documents sought by Idex do not exist (*id.* at 32-33). In view of this representation, the Court directs Rapaport to certify in writing that all documents responsive to the Court's January 4, 2008 Order have been produced and that the remaining documents sought by Idex do not exist. Thereafter, Rapaport will be precluded from relying on any documents within the scope of the January 4, 2008 Order that were not previously produced to Idex.

4. *Briefing Schedule for Dispositive Motions.* As Idex's pending motions have been resolved, the Court sets the following schedule for dispositive motions:

Idex's motion for summary judgment due June 12, 2009

Rapaport's cross-motion for summary judgment (if any) and opposition to Idex's motion for summary judgment due July 3, 2009

Idex's opposition to Rapaport's cross-motion for summary judgment and reply in further support of its motion for summary judgment due July 17, 2009

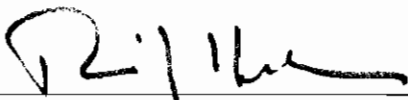
Rapaport's reply in further support of any cross motion for summary judgment due July 31, 2009

Opening and opposition memoranda may not exceed fifty pages each; reply memoranda may not exceed ten pages. This schedule will only be modified in exceptional circumstances.

The Clerk is respectfully directed to mark Docket No. 122 closed.

SO ORDERED.

Dated: New York, New York
May 11, 2009


Richard J. Holwell
United States District Judge