



NEW YORK CITY LAW DEPARTMENT
OFFICE OF THE CORPORATION COUNSEL

Zachary W. Carter, *Corporation Counsel*

Press Release

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For Immediate Release

**CITY REACHES \$5 MILLION SETTLEMENT WITH LASERSHIP, INC.,
IN BOOTLEG CIGARETTE DELIVERY CASE**

***CITY'S LAWSUIT CHARGED LASERSHIP, INC., WITH DELIVERING MORE THAN 45 TONS OF
CONTRABAND CIGARETTES TO RESIDENTS OF THE FIVE BOROUGHS
IN VIOLATION OF FEDERAL AND STATE LAW***

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New York, N.Y., Sept. 24, 2014 – The New York City Law Department today announced the settlement of a lawsuit filed by the City against LaserShip, Inc., a Virginia-based package delivery service covering much of the East Coast, over residential deliveries of “untaxed” (e.g., contraband) cigarettes in New York City. LaserShip agreed to a payment of \$5 million to resolve the City’s civil charges, brought under a variety of federal and state laws, including those prohibiting the distribution of untaxed cigarettes and residential cigarette deliveries. LaserShip also agreed to end all cigarette shipments and has strengthened its compliance practices.

Corporation Counsel Zachary W. Carter said: “It should be clear by now that the City will vigorously pursue illegal cigarette deliveries by shipping companies that attempt to avoid City tax laws and circumvent laws designed to protect public health.”

In July 2010, Congress enacted the Prevent All Cigarette Trafficking (PACT) Act, which, in addition to requiring cigarette sellers to ensure that all taxes had been paid on cigarettes shipped to consumers, prohibited the U.S. Postal Service from allowing cigarettes in the mails. In an attempt to skirt the requirements of the PACT Act, a group of upstate cigarette sellers retained Regional Integrated Logistics, Inc., a Buffalo, New York logistics firm, to organize a package delivery network for the delivery of untaxed cigarettes nationwide. LaserShip, Inc. joined that network, and from 2011 until June 2013, made more than 23,000 deliveries of more than 120,000 cartons of untaxed cigarettes to stores, residences and offices throughout the City. Those deliveries violated federal law as well as a New York State law prohibiting cigarette deliveries to entities other than certain licensed cigarette distributors.

In a July 10, 2014, decision, U.S. District Judge George B. Daniels upheld the City’s claims under the PACT Act, the Contraband Cigarette Trafficking Act, the Racketeer Influenced and Corrupt Organizations Act (RICO), and N.Y. Public Health Law 1399-II, allowing the case to proceed. The \$5 million resolution of the case is well in excess of the City’s actual \$1.9 million tax loss, reflecting the fact that the laws under which the City’s claims were made provide for substantial civil penalties for the deliveries at issue.

Eric Proshansky, Deputy Chief of the Law Department’s Affirmative Litigation Division, and Aaron Bloom, Assistant Corporation Counsel in the same division, led the legal team. The City’s separate action against Regional Integrated Logistics, *City of New York v. Gordon et al.*, 12 cv 4838 (ER) (S.D.N.Y.), is continuing, as are City suits over deliveries of bootleg cigarettes by such shippers as FedEx and YRC Worldwide, Inc. operating as Yellow Freight.

The New York City Law Department is one of the oldest, largest and most dynamic law offices in the world, ranking among the top three largest law offices in New York City and one of the largest public law offices in the country. Tracing its roots back to the 1600’s, the Department has an

active caseload of 80,000 matters and transactions in 17 legal divisions. The Corporation Counsel heads the Law Department and acts as legal counsel for the Mayor, elected officials, the City and all its agencies. The Department's 730 attorneys represent the City on a vast array of civil litigation, legislative and legal issues and in the criminal prosecution of juveniles. For more information, please visit nyc.gov/law.

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