

Armen R. Vartian (State Bar No. 155766)
Email: avartian@gmail.com
LAW OFFICES OF ARMEN R. VARTIAN
1601 N. Sepulveda Blvd #581
Manhattan Beach CA 90266
Ph: (310) 372-1355
Fax: (866) 427-3820

Keith A. Attlesey (State Bar No. 168470)
Email: kattlesey@attleseystorm.com
Suzanne Shaw Storm (State Bar No. 229003)
Email: sstorm@attleseystorm.com
ATTLESEY|STORM, LLP
2552 Walnut Avenue, Suite 100
Tustin, CA 92780
Tel: (714) 508-4949
Fax: (714) 508-0015

Attorneys for Plaintiff

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

COLLECTORS UNIVERSE, INC., a
Delaware corporation,

Plaintiff,

vs.

AL ROSSMAN, an individual, ERIC
STEINBERG, an individual; RICK
WESSLINK, an individual; SILVANO
DIGENOVA, an individual; GREG
KRILL, an individual; ROBERT
LEHMANN, an individual; DOES 1-10,
individuals and/or entities whose
identities are currently unknown,

Defendants.

NO. CV10-03602 SJO(MLGX)

**FIRST AMENDED
COMPLAINT FOR
VIOLATION OF LANHAM
ACT; VIOLATION OF RICO;
COMMON LAW FRAUD;
CALIFORNIA UNFAIR
COMPETITION; BREACH OF
CONTRACT; CONSPIRACY;
DECLARATORY JUDGMENT**

DEMAND FOR JURY TRIAL

1 Plaintiff COLLECTORS UNIVERSE, INC., for its First Amended

2 Complaint in this action, alleges upon information and belief as follows:

3 **JURISDICTION AND VENUE**

4
5 1. This action arises under 18 U.S.C. §1962 and the Lanham Act, 15 U.S.C.
6 §1125, and this Court has original jurisdiction of Plaintiff's federal claims under 18
7 U.S.C. §1964(c), 15 U.S.C. §§1121 and 1125(a), 28 U.S.C. §§1338(a) and (b), and
8 28 U.S.C. §1331, and supplemental jurisdiction over Plaintiff's California
9 statutory and common law claims pursuant to 28 U.S.C. § 1367(a), since the state
10 law claims are so related to the federal claims that they form part of the same case
11 or controversy and derive from a common nucleus of operative facts.

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13 2. Venue is proper in this Judicial District under 18 U.S.C. §1965(a) and 28
14 U.S.C. §1391(b) as Plaintiff's corporation is headquartered in California,
15 Defendants transact their affairs and do business in this District, a substantial
16 portion of the events, omissions and property which is the subject matter of this
17 action are located in this District, and defendants agreed by contract that this
18 Judicial District is a convenient forum.

19 **PARTIES**

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21 3. At all times relevant hereto, Plaintiff COLLECTORS UNIVERSE, INC.
22 ("CU") was and now is a Delaware corporation, with its principal place of business
23 in Santa Ana, California, and was and now is engaged, inter alia, in the
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1 authentication and grading of collectible coins through its Professional Coin
2 Grading Service ("PCGS") division.

3 4. Upon information and belief, Defendant Al Rossman is a natural person
4 residing in Nevada, Defendant Eric Steinberg is a natural person residing in
5 Florida, Defendant Rick Wesslink is a natural person residing in Mission Viejo,
6 California in this Judicial District, Silvano DiGenova is a natural person residing in
7 Laguna Beach, California in this Judicial District, Greg Krill is a natural person
8 residing in St. Helena, California, Robert Lehmann is a natural person residing in
9 Cumberland, Maryland, and Defendants DOES 1-10 are parties the identities of
10 whom/which are presently unknown to Plaintiff, but who are believed to be natural
11 persons or other entities that reside and/or have a principal place of business in the
12 State of California.

13 5. Each defendant was, at all material times, the agent of every other
14 defendant acting within the course and scope of such agency with respect to the
15 conduct alleged in this complaint. Each defendant is, as an agent, conspirator,
16 aider and abettor or other liable person, jointly and severally liable with each other
17 defendant for the acts and conduct alleged in this complaint.

18 **GENERAL ALLEGATIONS**

19 6. PCGS is the leading coin authentication and grading service in the world,
20 having graded millions of coins since its inception in 1986. CU has expended
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1 money, time and effort promoting PCGS's business under the PCGS name, and to
2 make PCGS's name familiar to the public at large and to coin dealers and others
3 involved in the coin industry. PCGS has built a valuable goodwill under the name
4 PCGS and has become the recognized market leader in the business of
5 authenticating and grading coins.
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8 7. PCGS authenticates and grades coins according to PCGS's standards as
9 interpreted and applied by experts employed by CU as PCGS graders. Once a coin
10 has been authenticated and graded, PCGS places the coin in a sealed, tamper-
11 evident hard plastic holder along with a paper insert which bears PCGS's name and
12 logo, a description of the coin including the grade assigned by PCGS on a 1-70
13 scale, and a unique PCGS certification number and bar code relating to the
14 particular coin. The plastic holder itself contains an embossed variation of the
15 PCGS logo, and in some cases a hologram containing either "PCGS" or "Collectors
16 Universe." CU maintains an on-line database of PCGS-certified coins classified
17 according to PCGS certification numbers, so that anyone viewing an image of a
18 PCGS-certified coin can check whether the certification number appearing on the
19 paper insert is, in fact, the correct number assigned by PCGS to that coin.
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24 8. PCGS guarantees that any coin in a PCGS holder is genuine and has been
25 properly graded, and owners of PCGS-graded coins which are found to be
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1 counterfeit or overgraded may submit those coins to PCGS for reimbursement of
2 any difference in value arising from PCGS's error.

3 9. PCGS does not grade coins that have been "doctored", i.e., artificially
4 altered in order to diminish or conceal defects in the coins, enhance the coins'
5 appearance, and falsely obtain higher grades. Any dealer who submits coins to
6 PCGS, including Defendants herein, executes the PCGS Dealer Agreement, a
7 written agreement providing terms and conditions for submitting coins to PCGS.
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9 The Agreement includes, inter alia, the following:
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12 5. Impaired or Altered Coins. (a) Dealer acknowledges that
13 PCGS will not grade coins which, in the judgment of PCGS, bear
14 evidence of harsh cleaning, artificial toning, damaged surfaces, altered
15 surfaces or PVC damage, or other similar impairments or evidence of
16 coin "doctoring," as described below. Dealer agrees that it will not
17 knowingly submit any coins for grading which have been altered in
18 any way, and acknowledges that the determination as to whether a
19 coin should be graded shall be made by PCGS in accordance with its
20 standards. However, because the determination by PCGS to reject
such impaired coins will require a review by PCGS's grading experts,
Dealer will be required to remit, as set forth herein, the standard
grading fee for any such coins that are submitted to PCGS.

21 (b) Dealer shall not "doctor" coins or knowingly submit to
22 PCGS coins which have been "doctored". Coin "doctoring" involves
23 the alteration of the appearance of a coin to attempt to increase its
24 value, and may involve, among other things, adding substances to
25 coins (such as, among other things, putty, wax, facial oils, petroleum
26 jelly or varnish); treating coins with chemicals (such as, among other
27 things, potash, sulfur, cyanide, iodine or bleach); heat treating coins in
28 any way to alter their appearance; re-matting ("skinning") proof gold;
"tapping" and "spooning" (i.e., physically moving surface metal to
hide marks); filing rim nicks; or repairing coins (re-tooling metal).
Dealer and PCGS agree that PCGS would suffer irreparable damages

1 if Dealer were to engage in coin "doctoring" and that PCGS shall be
2 entitled to not only compensatory damage but also preliminary and
3 final injunctive relief for any breach of Dealer's obligation not to
4 "doctor" coins or knowingly to submit "doctored" coins to PCGS.
5 Dealer agrees that in the event PCGS incurs any attorney fees and/or
6 cost and expenses as a result of said "doctoring", including but not
7 limited to investigating claims of alleged "doctoring", and engaging in
8 legal proceedings with Dealer or any third party relating to same,
9 PCGS shall be entitled to reimbursement of such fees and costs from
10 Dealer.

11 13. Legal Compliance. In all activities involving PCGS coins,
12 Dealer warrants that it is and shall remain in compliance with all
13 applicable federal and state antitrust, securities, commodities,
14 consumer protection, unfair trade practices, fraud, and tax laws, and
15 any other applicable laws or regulations. Dealer agrees that in the
16 event PCGS incurs any attorney fees and/or cost and expenses as a
17 result of Dealer's violation of this warranty, including but not limited
18 to investigating claims of alleged violations, and engaging in legal
19 proceedings with Dealer or any third party relating to same, PCGS
20 shall be entitled to reimbursement of such fees and costs from Dealer.

21 22. Governing Law, Dispute Resolution, Venue and
22 Attorney's Fees. This Agreement is delivered and accepted in the
23 State of California and it is the intention of the parties that it be
24 governed by and construed in accordance with the substantive laws of
25 that State, without regard to conflicts of laws principles. In the event
26 of any controversy, claim, or dispute between the parties hereto
27 arising from, under, out of, or relating to this Agreement or breach
28 thereof, Dealer expressly agrees to the jurisdiction of any Court within
the County of Orange, State of California, and further agrees that the
County of Orange is a convenient forum for any such disputes arising
from, under or pursuant to this Agreement. The prevailing party shall
be entitled to recover all of its reasonable attorneys' fees, expenses
and costs, including such costs that might not otherwise be
recoverable as costs in the absence of this Agreement.

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1 10. “Doctored” U.S. and foreign legal tender laws is a federal crime under
2 18 U.S.C. §331:

3 Whoever fraudulently alters, defaces, mutilates, impairs, diminishes,
4 falsifies, scales or lightens and of the coins minted at the mints of the
5 United States...; or

6 Whoever fraudulently possesses, passes, utters, publishes, or sells, or
7 attempts to pass, utter, publish, or sell...any such coin, knowing the
8 same to be altered, defaced, mutilated, impaired, diminished, falsified,
9 scaled or lightened

10 Shall be fined under this title or imprisoned not more than five years,
11 or both.

12 11. Defendants have submitted “doctored” United States coins to PCGS for
13 grading on multiple occasions for a period of years, either directly through dealers
14 such as Defendant Steinberg or indirectly through other dealers. Defendants knew
15 that these coins had been “doctored”, by themselves and/or by other persons
16 engaged by them for that purpose. Their methods included lasering the surfaces of
17 extremely rare proof gold coins to remove surface imperfections, building up
18 commonly-worn or weakly-struck portions of coins with exotic metals, and other
19 physical and chemical processes. Defendants represented to PCGS that these coins
20 had natural surfaces, intending to deceive PCGS’s graders so that the “doctored”
21 coins would be certified by PCGS and then sold in the rare coin marketplace,
22 where they would be covered by PCGS’s cash guarantee.
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1 12. Upon information and belief, Defendants have successfully obtained
2 PCGS's certification of certain "doctored" coins, thereby selling said coins to
3 numerous coin dealers and others in person in California and/or by mail
4 nationwide. In every such instance, Defendants knew and intended that by having
5 the coins certified by PCGS they would thereby create a belief in the purchaser of
6 the coin that the coin was a genuine PCGS-certified coin with original surfaces and
7 protected by the PCGS guarantee. The direct and intended result of the acts
8 identified in paragraph 11 above was to cause dealers and the public to be deceived
9 and confused concerning the condition of the coins passed off by Defendants. In
10 other words, purchasers and prospective purchasers were led to believe that the
11 coins merited the grades printed on the PCGS insert in the holder containing the
12 coin, when in fact Defendants knew such was not the case.
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17 13. Defendants' techniques are designed and intended to avoid detection by
18 CU and the coins' owners for many years, but over time the chemicals applied to
19 coins' surfaces or otherwise involved in "doctoring" create noticeable changes in
20 the coins' appearance, thereby revealing that the coins had been "doctored". At
21 that point the coins' owners may notify CU and receive compensation from CU
22 under the PCGS Guarantee.
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1 14. A few examples of coins submitted by or on behalf of Defendants are
2 the following:

3 (a) 1926-D 25c, originally submitted to PCGS on March 23, 2001
4 through Liberty Coins. Re-purchased by CU on September 23, 2008 under PCGS
5 Guarantee. Liberty's head artificially enhanced.

6 (b) 1801 \$10 gold piece, originally submitted to PCGS on November 29,
7 2006 through Defendant Steinberg. Re-purchased by CU on June 16, 2009 for
8 \$18,000 under PCGS Guarantee. Foreign substance added to coin's surface to
9 cover marks.

10 (c) 1881 \$2.5 gold piece, originally submitted to PCGS on December 16,
11 2009 by Defendant Steinberg on behalf of Defendant Rossman, held by
12 PCGS pending trial in this action. Lines on coin's surface lasered off.

13 (d) 1885 \$5 gold piece, originally submitted to PCGS on December 16,
14 2009 by Defendant Steinberg on behalf of Defendant Rossman, held by PCGS
15 pending trial in this action. Foreign substance added to coin's surface to cover
16 marks.

17 (e) 1918-D Mercury 10c, originally submitted to PCGS on May 17, 2001
18 by Defendant DiGenova's company, Tangible Assets. Re-purchased on April 27,
19 2010 for \$90,000 under PCGS Guarantee. Crossbands on dime had been rebuilt.

20 (f) 1879 \$4 Stella gold piece. Originally submitted on May 8, 2008 by
21 Heritage. Re-submitted on August 28, 2008 by Defendant DiGenova after having
22 been laser treated to remove lines. PCGS refused to grade the coin.

23 (g) 1833 Bust 50c, originally submitted on April 8, 2004 by Superior
24 Galleries. Re-purchased on June 22, 2008 for \$8,500 under PCGS Guarantee.

25 (h) 1928-D Standing Liberty 25c, originally submitted on May 30, 2001 by
26 Defendant DiGenova's company, Tangible Assets. Re-purchased in March 2005
27 for \$4,650 under PCGS Guarantee. Liberty's Head was rebuilt to appear "full".

28 (i) 1904 \$20 gold piece, originally submitted April 1998 by Defendant
Krill. Re-purchased December 2007 for \$1,250 under PCGS Guarantee. Foreign
substance applied.

1 (j) 1926-D Standing Liberty 25c originally submitted in July 2001 by
2 Defendant Lehmann. Re-purchased in June 2007 for \$7,500 under PCGS
3 Guarantee. Liberty's head rebuilt.

4 (k) 1919-S Mercury dime originally submitted on August 13, 2001 by
5 Defendant Lehmann. Re-purchased in September 2009 for \$4,887. Crossbands on
6 dime had been rebuilt.

7 (l) 1918-S quarter originally submitted in April 2001 by Dan Ratner. Re-
8 purchased in February 2007 for \$3500. Liberty's head rebuilt.

9 15. By reason of the foregoing unlawful acts, Defendants have caused, and
10 are continuing to cause, substantial and irreparable damage and injury to CU and to
11 the public and Defendants have benefited from such unlawful conduct and will
12 continue to carry out such unlawful conduct and to be unjustly enriched thereby
13 unless enjoined by this Court.
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16 **COUNT ONE – LANHAM ACT**

17 16. CU repeats and realleges each and every allegation contained in
18 Paragraphs 1-15 hereof as though set forth in full here.
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20 17. Defendants' aforesaid acts constitute an actionable wrong under 15
21 U.S.C. §1125(a) in that they knowingly and willfully used in connection with their
22 goods a false designation of origin and a false description and representation as to
23 their coins, including words, symbols and numbers tending falsely to describe or
24 represent their coins as meriting the grades assigned to them by PCGS, and have
25 caused such coins to enter into, and be transported and used in interstate commerce
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1 with knowledge of the falsity of such designation of origin, description and
2 representation.

3 18. By reason of the foregoing unlawful acts, Defendants have caused, and
4 are continuing to cause, substantial and irreparable damage and injury to CU and to
5 the public and Defendants have benefited from such unlawful conduct and will
6 continue to carry out such unlawful conduct and to be unjustly enriched thereby
7 unless enjoined by this Court.
8

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10 19. As a proximate and direct result of Defendants' acts of passing off, CU
11 has sustained damages in an as yet unascertained amount to be proven at trial.
12

13 **COUNT TWO -- RICO**

14 20. CU repeats and realleges each and every allegation contained in
15 Paragraphs 1-19.
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17 21. Defendants are "persons" associated with one another as an "enterprise"
18 engaged in, or the activities of which affect, interstate commerce in the meaning of
19 18 U.S.C. §1961.
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21 22. Defendants' activities constituted a "pattern of racketeering activity" in
22 the meaning of 18 U.S.C. §1962 in that they violated 18 U.S.C. §1341 (mail fraud),
23 18 U.S.C. §1343 (wire fraud), and 18 U.S.C. §2320 (trafficking in counterfeit
24 goods and services).
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1 23. Defendants invested the income, or the proceeds of income, derived
2 from their pattern of racketeering activity into an enterprise in violation of 18
3 U.S.C. §1962(a).

4
5 24. Defendants acquired or maintained, directly or indirectly, an interest in
6 or control of an enterprise through their pattern of racketeering activity in violation
7 of 18 U.S.C. §1962(b).

8
9 25. Defendants were and are employed by or associated with an enterprise
10 and conduct or participate, directly or indirectly in the conduct of the enterprise's
11 affairs through their pattern of racketeering activity in violation of 18 U.S.C.
12 §1962(c).

13
14 26. Defendants conspired to violate 18 U.S.C. §1962(a), (b), and (c).

15
16 27. By reason of Defendants' unlawful acts as described above, Plaintiff has
17 been injured in its business or property within the meaning of 18 U.S.C. §1964(c).

18
19 **COUNT THREE – COMMON LAW FRAUD**

20 28. CU repeats and realleges each and every allegation contained in
21 Paragraphs 1-27 hereof as though set forth in full here.

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23 29. Defendants made representations of fact to CU concerning the coins
24 they submitted to PCGS for grading, and intended that CU rely upon those
25 representations. Defendants also omitted to disclose information to CU regarding
26 their “doctoring” activities.
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1 30. CU did, in fact, reasonably rely upon Defendants' statements and
2 omissions in certifying coins, to its detriment.

3 31. By reason of Defendants' unlawful acts and omissions as described
4 above, Plaintiff has been damaged in an amount according to proof at trial.
5

6 32. In acting as set forth herein, Defendants acted willfully, fraudulently,
7 maliciously, and in wanton disregard of CU's rights. Therefore, CU seeks
8 exemplary damages from Defendants in an amount according to proof at trial.
9

10 **COUNT FOUR – CALIFORNIA UNFAIR COMPETITION**
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12 33. CU repeats and realleges each and every allegation contained in
13 Paragraphs 1-32 hereof as though set forth in full here.

14 34. Defendants' aforesaid acts constitute unlawful, unfair and fraudulent
15 business practices, as prohibited by the common law and by California Business &
16 Professions Code §17200 read with §§17203 and 17205. They constitute
17 violations of RICO and the federal mail and wire fraud statutes, as well as 18
18 U.S.C. §331.
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21 35. By reason of Defendants' unlawful acts as described herein Defendants
22 have caused, and are continuing to cause, substantial and irreparable damage and
23 injury to CU and to the public and Defendants have benefited from such unlawful
24 conduct and will continue to carry out such unlawful conduct and to be unjustly
25 enriched thereby unless enjoined by this Court.
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1 36. CU has no adequate remedy at law.

2 37. As a proximate and direct result of Defendants' unlawful conduct and
3 acts of unfair competition, CU has sustained damages in an as yet unascertained
4 amount, but exceeding \$100,000.
5

6 38. In acting as set forth herein, Defendants acted willfully, fraudulently,
7 maliciously, and in wanton disregard of CU's rights. Therefore, CU seeks
8 exemplary damages from Defendants in an amount according to proof at trial.
9

10 **COUNT FIVE – BREACH OF CONTRACT**

11 39. CU repeats and realleges each and every allegation contained in
12 Paragraphs 1-38 hereof as though set forth in full here.
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14 40. Defendants have breached their obligations under the PCGS Dealer
15 Agreement not to submit “doctored” coins, and have also violated those portions of
16 the Agreement prohibiting unlawful conduct in connection with their PCGS
17 submissions.
18

19 41. By reason of Defendants’ unlawful acts as described herein, Plaintiff
20 has been damaged in an amount according to proof at trial.
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22 **COUNT SIX – CONSPIRACY**

23 42. CU repeats and realleges each and every allegation contained in
24 Paragraphs 1-41 hereof as though set forth in full here.
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1 43. Defendants formed an agreement to “doctor” coins and submit them to
2 PCGS for certification, in violation of the various statutory and common law rules
3 set forth above, and committed various overt acts in furtherance of this agreement.
4

5 44. By reason of Defendants’ unlawful acts as described herein Plaintiff has
6 been damaged in an amount according to proof at trial.
7

8 **COUNT SEVEN – DECLARATORY JUDGMENT**

9 45. CU repeats and realleges each and every allegation contained in
10 Paragraphs 1-44 hereof as though set forth in full here.
11

12 46. Defendant Rossman contends that certain coins, to wit an 1881 Proof
13 U.S. \$2 ½ gold piece and an 1885 Proof U.S. \$5 gold piece, belong to him and
14 should be returned to him, though the coins were submitted to PCGS for
15 certification by Defendant Steinberg. Defendant Rossman, through counsel, has
16 threatened to sue CU for conversion if CU retains possession of these coins.
17

18 47. CU believes that these “doctored” coins are evidence of a crime as well
19 as of civil wrongs detailed in this Complaint, and that returning them to Defendant
20 Rossman would result in the coins’ loss and/or destruction. CU is willing to
21 submit the coins for this Court’s safekeeping pending trial and/or the involvement
22 of federal enforcement authorities.
23

24 48. CU asks this Court to declare that CU may maintain possession of the
25 coins pending trial, or provide them to this Court for safekeeping as evidence.
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1 **WHEREFORE**, CU prays for judgment against Defendants as follows:

2 1. That Defendants, their agents, servants, employees, successors, assigns
3 and all those controlled by them, be permanently enjoined from submitting coins to
4 PCGS for certification, either directly or through a third party, which were
5 “doctored” as defined herein;
6

7 2. That Defendants be ordered to deliver for destruction all “doctored” coins
8 in their possession which have been placed in PCGS holders, including the PCGS
9 coin inserts and holders;
10

11 3. That Defendants be ordered to account for and pay over to CU all gains,
12 profits and advantages derived by them from their submission of “doctored” coins
13 to PCGS and/or from any other unlawful conduct as described herein;
14

15 4. That Defendants be ordered to pay all damages sustained by CU, or,
16 alternatively, provide restitution and disgorge profits, resulting from Defendants'
17 acts of unfair trade practices and unfair competition;
18

19 5. That Defendants be ordered to pay to CU a sum equal to three times the
20 amount of CU's actual damages as provided by 18 U.S.C. §1964(c);
21

22 6. That Defendants be ordered to pay to CU exemplary damages according
23 to proof;
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25 7. That Defendants be ordered to pay CU's costs of this action, including
26 reasonable attorney's fees; and
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1 8. That the Court grant CU such other and further relief as the Court deems
2 just.

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5 Dated: May 27, 2010

ATTLESEY|STORM, LLP

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Suzanne Shaw Storm
9 Attorneys for Plaintiff

10 Of Counsel
11 Armen R. Vartian

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14 DEMAND FOR JURY TRIAL

15 Plaintiff hereby demands a jury trial as provided by Rule 38(a) of the
16 Federal Rules of Civil Procedure.

17
18 Dated: May 27, 2010

ATTLESEY|STORM, LLP

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20
21

Suzanne Shaw Storm
22 Attorneys for Plaintiff