

1
2 IN THE UNITED STATES DISTRICT COURT
3 FOR THE NORTHERN DISTRICT OF CALIFORNIA
4

5 UBIQUITI NETWORKS, INC.,

6 Plaintiff,

7 v.

8 KOZUMI USA CORP., et al.

9 Defendants.
10 _____/

No. C 12-2582 CW

ORDER GRANTING
MOTION FOR
PRELIMINARY
INJUNCTION

United States District Court

11
12 On June 20, 2012, the Court issued an Order Granting, In
13 Part, Ubiquiti's Application for a Temporary Restraining Order
14 (TRO) against Defendants Kozumi USA Corporation and William Hsu
15 Wu¹ upon its claims for trademark infringement under the Lanham
16 Act and ordered that Defendants show cause as to why a preliminary
17 injunction should not issue on the same terms as the TRO.²
18 Defendants have filed a response to the Court's order to show
19 cause (OSC), and Ubiquiti has filed an opposition to the response.
20 Defendants have filed evidentiary objections to some of Ubiquiti's
21 evidence. A hearing was held on July 5, 2012. After considering
22 oral argument and all papers filed by the parties, the Court
23 overrules Defendants' evidentiary objections, issues a preliminary
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25 ¹ The individual Defendant named in Ubiquiti's complaint as
26 Shao Wei Hsu indicates that his official name is William Hsu Wu.

27 ² The TRO did not issue against the third Defendant, Lilia
28 Kung. On June 27, 2012, Plaintiffs voluntarily dismissed all
claims against Ms. Kung.

1 injunction on the same terms as the TRO, and freezes all of
2 Defendants' real estate assets located in the United States.

3 BACKGROUND

4 The facts of this case are detailed in the Court's June 20,
5 2012 Order. In the June 20 Order, the Court granted Defendants
6 leave to submit a brief in opposition to the issuance of a
7 preliminary injunction containing any facts or law that they were
8 unable to include in their brief opposing the TRO. In their
9 brief, Defendants indicate that they do not take issue with the
10 overall scope of the TRO because they are not engaging in any of
11 the activities which are forbidden by the Court. However, they
12 argue that the TRO is overbroad in that it bars Defendants from
13 using Ubiquiti's trademarks "in any manner." They argue that they
14 should be allowed to use Ubiquiti's trademarks in comparative
15 advertising for their own products because use of another's
16 trademark for comparative advertising purposes is not actionable
17 under the Lantham Act. Defendants also reiterate their previous
18 arguments that they are not subject to personal jurisdiction in
19 this forum and that Ubiquiti has failed to link any alleged
20 damages to Defendants.³ Ubiquiti counters each of Defendants'
21 arguments and reiterates its request for a freeze on Defendants'
22 assets on the basis of new evidence that shows that Defendants may
23 be fraudulently transferring their assets.

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27 ³ Defendants have filed a separate motion to dismiss based on
28 lack of personal jurisdiction that is set to be heard on August 2,
2012.

LEGAL STANDARD

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2 For a preliminary injunction to issue, a plaintiff "must
3 establish that it is likely to succeed on the merits, that it is
4 likely to suffer irreparable harm in the absence of preliminary
5 relief, that the balance of equities tips in its favor, and that
6 an injunction is in the public interest." Winter v. Natural Res.
7 Defense Council, 555 U.S. 7, 20 (2008); Amylin Pharmaceuticals,
8 Inc. v. Eli Lilly and Co., 456 F. App'x. 676, 678 (9th Cir. 2011).

DISCUSSION

I. Comparative Advertising Exception

9
10 Ubiquiti argues that Defendants should not be allowed to use
11 Ubiquiti's trademarks in their advertising because Kozumi is a
12 counterfeiter and any comparison with Ubiquiti's products will
13 further confuse consumers as to which are real Ubiquiti products.
14

15 Ninth Circuit authority holds that use of another's trademark
16 in comparative advertising is not wrongful or actionable under the
17 Lanham Act. See e.g. Cairns v. Franklin Mint Co., 292 F.3d 1139,
18 1151-54 (9th Cir. 2002); Toyota Motor Sales, U.S.A., Inc. v.
19 Tabari, 610 F.3d 1171, 1182-83 (9th Cir. 2010). However, as noted
20 by Ubiquiti, none of the authority submitted by Defendants
21 involved the situation here, where the defendant advertiser was
22 also an alleged counterfeiter. Defendants do not submit a sample
23 advertisement to illustrate the way in which Ubiquiti's trademarks
24 would be used. Without evidence that such advertisements would
25 not further confuse consumers or harm Ubiquiti's trademarks or
26 goodwill, the Court cannot permit Defendants to use Ubiquiti's
27 trademarks in any manner other than the exceptions noted in the
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1 TRO. Therefore, Defendants' request for a modification of the
2 terms of the TRO is denied.

3 However, in sixty days or thereafter, after meeting and
4 conferring with Ubiquiti, Defendants may move to modify the
5 preliminary injunction to allow comparative advertising. In the
6 motion, Defendants must indicate in what country the advertisement
7 will be used, the law of that country regarding comparative
8 advertising, an explanation of why comparative advertising is
9 needed and a copy of an English-version of the advertisement.

10 II. Personal Jurisdiction

11 In regard to personal jurisdiction, Defendants do nothing
12 more than note their disagreement with the Court's conclusion in
13 the June 20, 2012 Order. Because Defendants have filed a separate
14 motion to dismiss based on lack of personal jurisdiction, this
15 issue will be decided in the context of that motion. Therefore,
16 the Court does not change the conclusion it reached in the June 20
17 2012 Order, that Ubiquiti is likely to succeed in showing that
18 Defendants are subject to personal jurisdiction in this forum.

19 III. Damages

20 In regard to damages, Defendants argue that Ubiquiti has not
21 provided any evidence to meet its burden of connecting its alleged
22 six million dollar loss to Kozumi and Mr. Wu's activities. Under
23 Winter v. Natural Resources Defense Council, Inc., 555 U.S. 7, 22
24 (2008), plaintiffs seeking preliminary injunctive relief must
25 demonstrate that irreparable injury is likely in the absence of an
26 injunction. Even if Ubiquiti did not allege a loss of money as a
27 result of Defendants' alleged counterfeiting, an injunction would
28 be appropriate because "injunctive relief is the remedy of choice

1 for trademark and unfair competition cases, since there is no
2 adequate remedy at law for the injury caused by a defendant's
3 continuing infringement." Century 21 Real Estate Corp. v. Sandlin
4 846 F.2d 1175, 1181 (9th Cir. 1988).

5 Ubiquiti submits emails from its distributors and articles
6 from the financial press to show that Defendants' alleged
7 counterfeiting and infringing acts are damaging Ubiquiti's
8 reputation with its distributors and customers and in the
9 financial markets in general. This evidence more than satisfies
10 Ubiquiti's burden to show that irreparable injury is likely in the
11 absence of an injunction. Therefore, Defendants' argument that
12 the injunction should not issue because Ubiquiti has not shown the
13 likelihood of irreparable injury is unavailing.

14 In summary, the Court finds that Ubiquiti has shown a
15 likelihood of success on the merits of its Lanham Act claims and a
16 significant threat of irreparable injury or, at least, that
17 serious questions regarding the merits exist and the balance of
18 the hardships tips sharply in Ubiquiti's favor. Therefore, the
19 Court will issue a preliminary injunction on the same terms as the
20 TRO. See June 20, 2012 Order (Docket no. 41).

21 IV. Ubiquiti's Request to Freeze Defendants' Assets

22 In the June 20 2012 Order, the Court denied Ubiquiti's
23 request to freeze Defendants' assets because "Ubiquiti's evidence
24 submitted to show that Hsu cannot be trusted to preserve his and
25 Kozumi's assets" was questionable and, thus, freezing Defendants'
26 assets would be too harsh a remedy and harmful to Defendants'
27 business. Here, Ubiquiti submits proof that, on May 25, 2012, one
28 week after it filed its lawsuit against Defendants, Mr. Wu

1 executed quitclaim deeds for four of his properties to Angela
2 Kung, a resident of Brazil, and a quitclaim deed for one of his
3 properties to Cheng Hung Chen, a resident of Taiwan. McCollum
4 Dec., Exs. D and E, quitclaim deed and legal property description
5 and deed history reports.⁴ Ubiquiti also submits a document
6 indicating that the market value of one of the properties is over
7 \$364,000. However, the quitclaim deed indicates that Mr. Wu sold
8 this property to Angela Kung for \$10.00.

9 Mr. Wu explains that the five properties identified by
10 Ubiquiti were purchased by his ex-wife's family, who live in
11 Brazil, during the 2008 financial crisis in that country and, that
12 except for one property, they were held on the family's behalf by
13 the "Shao Wei Hsu Living Trust." In March 2011, because Mr. Wu's
14 then-pending divorce from Lilia Kung would make his continued
15 management of the properties on behalf of her family awkward, Mr.
16 Wu began the process of transferring the properties to the Kung
17 family in Brazil. Mr. Wu explains that the transactions occurred
18 in May 2011, instead of in March 2011, because his attorney was
19 ill in March and April and one of the properties experienced
20 permitting delays by the city of Miami.

21 Even considering Mr. Wu's explanation, the transfers of five
22 properties by quit claim deeds in such close proximity to the time
23 Ubiquiti filed this action, indicate that they are likely attempts
24 by Mr. Wu to transfer properties against which Ubiquiti might be
25 able to recover a judgment. This shows that, absent a freeze of

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27 ⁴ The seller of most of the properties appears to be the Hsu
28 Shao W. Living Trust. It appears that Mr. Wu is the trustor and
trustee of this trust and has control of its assets.

1 some of Defendants' assets, there may be no security for
2 Ubiquiti's recovery in the event it wins a money judgment against
3 Defendants. The Court is mindful of Defendants' argument that
4 they need cash flow to operate the lawful part of their business.
5 However, real estate is not a liquid asset and, thus, may not be
6 necessary for the operation of the business. Therefore, the Court
7 grants, in part, Ubiquiti's request to freeze Defendants' assets
8 and orders that all of the real estate owned or controlled by
9 Defendants is frozen and cannot be sold, transferred or encumbered
10 in any manner without a stipulation from Ubiquiti or, if Ubiquiti
11 does not so stipulate, an Order from this Court.

12 A preliminary injunction will issue by separate order.

13 Rule 65(c) of the Federal Rules of Civil Procedure requires
14 that a party must post a bond "in such sum as the court deems
15 proper, for the payment of such costs or damage as may be incurred
16 or suffered by any party found wrongfully enjoined or restrained."
17 The Court finds that a bond in the amount of \$10,000 is
18 sufficient. Ubiquiti has previously posted a \$10,000 bond, but it
19 was limited to the temporary restraining order. The preliminary
20 injunction will take effect, therefore, when Ubiquiti posts or
21 transfers a bond in the amount of \$10,000 on account of the
22 preliminary injunction.

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24 IT IS SO ORDERED.

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26 Dated: July 5, 2012

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CLAUDIA WILKEN
United States District Judge