UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK
---X
JOHN WILEY & SONS, INC.,

08 CV 7834

Plaintiff

Lynch, G, USDJ

-against-

SUPAP KIRTSAENG D/B/A BLUECHRISTINE99
and JOHN DOE NOS. 1-5,
Defendants
X

DEFENDANTS' MEMORANDUM OF LAW
IN OPPOSITION TO MOTION FOR PRELIMINARY INJUNCTION AND ORDER OF ATTACHMENT

Dated: New York, New York
May 6, 2009

Respectfully submitted:

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Defendant Supap Kirtsaeng ("**Kirtsaeng**" or "**Defendant**"), by his counsel, Sam P. Israel, P.C., submits this memorandum of law, together with his declaration (the "**Kirtsaeng Decl**.") and the declaration of counsel (the "**Israel Decl**.") in opposition to the motion (the "**Motion**") of Plaintiff John Wiley & Sons, Inc., ("**Plaintiff**" or "**Wiley**") seeking a preliminary injunction and an order of attachment pursuant to Rule 64 of the Federal Rules of Civil Procedure ("**Fed. R. Civ. P**.") and sections 6201 and 6212 of New York Civil Practice Law and Rules (the "**C.P.L.R.**") as follows:

I.

PRELIMINARY STATEMENT

There is no question that attachment is a very "drastic" remedy, one which Courts are authorized to deny even where the statutory prerequisites are met. Yet, in support of its Motion, the Plaintiff does not even attempt to demonstrate that it has met the demanding requirements of CPLR §6201 (as applicable through Fed. R. Civ. P. 64). A motion for an attachment turns on the issue of whether the relief is necessary to obtain jurisdiction over a party or whether there is an urgent need to preserve a defendant's assets in order to prevent their intentional dissipation.

Here, the Court has already exercised personal jurisdiction over the Defendant. With respect to the Defendant's assets: the issue is not simply a matter of whether there will be available assets to pay a judgment; as has been repeatedly recognized—and discussed more fully below-- the inquiry is whether there is evidence of an intent to thwart a later collection effort by the Plaintiff— assuming it was to obtain a judgment.[1]

In connection with the preliminary injunction prong of the Motion, Wiley focuses on the ostensible merits of its copyright infringement claim. While its arguments may have force at trial or even in the context of a summary judgment motion, standing alone they are inadequate to achieve the equitable relief sought in the Motion.

In this context, it is also necessary to focus on the measure of the potential recovery the Plaintiff stands to achieve. The Plaintiff seeks monetary damages on the basis of profits that are negligible by any objective measure. While the Plaintiff makes use of sales figures derived from the Defendant's sales of an array of text books, only a fraction of them were Wiley books. And the Defendant's profits amount to an even smaller fraction of that number. Plus, any recovery would need to be set off by amounts the Plaintiff itself received on these sales, for the Plaintiff collected royalties on every foreign Wiley book sold by the Defendant. (Wiley, in fact, profited from the same conduct it sues upon.)[2]

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1 Critically, with respect to this Motion, there is no evidence whatsoever that the Defendant has ever sought to secrete assets, fraudulently convey them or to otherwise do anything to suggest that he might frustrate a judgment favorable to the Plaintiffs. The record does not warrant this Court's exercise of discretionary power to freeze the Defendant's assets.

2 See Original Appalachian Artworks, Inc. v. Granada Electronics, Inc., 1986 U.S. Dist. LEXIS 29114 (S.D.N.Y. Feb. 20, 1986) (Israel Decl. Exh 1)("…OAA collects a royalty from Jesmar for every foreign doll that allegedly infringes OAA's American copyrights.

Wiley itself has made it impossible for the Defendant to ascertain the amount it made off the Defendant's sales by reason its refusal to supply the data. According to the Plaintiff, the information is *not relevant* to the case, see Israel Decl. Exh. 2 (the Plaintiff's interrogatory responses) at Interrogatory Response No. 4, p. 3; yet Wiley likely made far more money on the Defendant's sales than the Defendant did. The Plaintiff's insistence that the data is *irrelevant* translates a concession that the gravity of its damages are as well. [3]

Moreover, that the Defendant sold eight Wiley titles in the United States should come as no surprise to the Plaintiff (as is it suggests in the Motion); this was admitted in Kirtsaeng's interrogatory responses. See Kirtsaeng Decl. at 12; Israel Decl., Exh.7 thereto.

II.

FACTS APPLICABLE TO THE MOTION

The Defendant is a doctoral candidate in the area of differential geometry at the University of Southern California. He moved to the United States from Thailand approximately in 1997 to pursue a Bachelor of Science degree in mathematics at Cornell University; four years later he was awarded his degree. Kirtsaeng was able to obtain his

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Thus, depending on the royalties OAA receives from Coleco and Jesmar for each doll they produce, OAA may not suffer any direct monetary harm from Granada's alleged infringement, let alone an irreparable one. If Jesmar pays OAA a larger royalty per doll than Coleco, OAA may even benefit financially from Granada's alleged infringement, even assuming that every Jesmar doll sold means that one less Coleco doll is sold, which is not at all apparent on the present record.").

[3] Wiley also made profits on books that the Defendant brought overseas and did not sell in time. Wiley, as well as other publishers update their editions frequently; this requires additional purchases by reason of the forced obsolescence of certain volumes. They do so without notice, meaning that the Defendant was often left with books that were updated and un-saleable. Ultimately-- in many instances the Defendant sustained net losses while Wiley made profits. Kirtsaeng Decl. at ¶ 15.

undergraduate degree only by reason of an academic scholarship granted him by Thailand. Yet, in financing the Defendant's undergraduate education, Thailand required his commitment to return to his country at a later date to provide governmental services. Kirtsaeng Decl. at ¶ 4.

The Defendant has received only negligible funding in connection with his graduate training and was hard-pressed to earn funds to meet his tuition requirements when some of his friends from Thailand informed him of how they were able to pay for their advanced educations by selling books online. They sold legitimate copyright- bearing text books originally acquired from overseas publishers. Unlike his friends, however, Kirtsaeng did not personally bring books from overseas into this country; they were shipped to California via UPS express and ocean freight as directed by friends and family (who I would later reimburse from sales I would make on eBay). Kirtsaeng Decl. at ¶6.

All of the books sold by the Defendant had notices stating that the books are copyrighted in the Untied States, See Kirtsaeng Decl., Exhibit 1, meaning that they are "lawfully made" under U.S. Copyright law and therefore susceptible to legal resale. Kirtsaeng Decl. at ¶8.

With regard to the attachment issue, the Defendant has not sought to secrete assets. Admittedly, he has withdrawn funds to repay family and friends in anticipation of his graduation from USC. He also has no intention of continuing to sell books since he no longer need funds to pay for his education or to repay people for their loans. In short, notwithstanding the veil of mystery the Plaintiff seeks to impress upon these events, the Defendant had no further need to maintain funds in his PayPal account. The Defendant engaged in no clandestine activities; he just shut down his business in anticipation of graduation and moving back home. Kirtsaeng Decl. at ¶ 11.

The numbers cited by Wiley are vastly misleading in that they are mostly comprised of proceeds form the sales of books published by others and also make no allowance for the Defendant's costs and expenses. Moreover, Wiley itself made profits on the Defendant's sales including sales made by its affiliate John Wiley & Sons (Asia) Pte Ltd. When one takes into account the money Wiley made on the sales, the Plaintiff may have ultimately turned more of a profit on the Defendant's activities than the Defendant did. Kirtsaeng Decl. at ¶¶14-15.

III.
ARGUMENT

POINT 1
THE PLAINTIFF IS NOT ENTITLED TO AN ORDER OF ATTACHMENT

A. The Standard: Attachment Is Discretionary and It Is the Plaintiff's Burden to Prove That Drastic Action Is Required

In general "the granting of prejudgment attachments is discretionary, 'and even when the statutory requisites are met, the order may be denied.'" Lehman Bros. Fin. S.A. v. Shenkman, 2001 U.S. Dist. LEXIS 13446, 5-6 (S.D.N.Y. Aug. 31, 2001) (Israel Decl. Exh. 3; emphasis added) citing Elliott Assocs., L.P. v. Republic of Peru, 948 F. Supp. 1203, 1211 (S.D.N.Y.1996), quoting, in turn, Filmtrucks, Inc. v. Earls, 635 F. Supp. 1158, 1162 (S.D.N.Y.1986).

"Because attachment is a harsh remedy, the statute must be strictly construed in favor of those against whom it may be applied." Encore Credit Corp. v. Lamattina, 2006 U.S. Dist. LEXIS 2935 (Jan. 18, 2006 E.D.N.Y.) (Israel Decl. Exh. 4), citing Michaels Elec. Supply Corp. v. Trott Elec. Inc., 231 A.D.2d 695, 647 N.Y.S.2d 839 (2d Dep't. 1996); P.T. Wanderer Assoc., Inc. v. Talcott Communications, Corp., 111 A.D.2d 55, 489 N.Y.S.2d 179

(1st Dep't. 1985)."Attachment has been recognized to entail 'harsh consequences' and courts have been advised to grant it 'only upon a showing that drastic action is required for security purposes.'" Lehman Bros. Fin. S.A. v. Shenkman, 2001 U.S. Dist. LEXIS 13446, 5-6 (S.D.N.Y. Aug. 31, 2001) (Israel Decl. Exh.3)(Emphasis added) quoting Incontrade, Inc. v. Oilborn Int'l., S.A., 407 F. Supp. 1359, 1361 (S.D.N.Y. 1976).

Further, "it also bears emphasis… the burden remains on plaintiff to show that it is necessary; defendants are not obligated to prove that it is not." Id. See also General Re Fin. Prods. Corp. v. Southern Cal. Edison Co., 2001 U.S. Dist. LEXIS 1117, 2-3 (S.D.N.Y. Feb. 8, 2001)**("**plaintiff must present evidence that defendant is deliberately trying to remove assets from the state with the purpose of frustrating plaintiff's future judgment.")(Israel Decl. Exh. 5).

B. The Plaintiff Has Not Submitted Evidence Supporting Its Contention That The Defendant Is Acting With The Intent To Defraud

Fed. R. Civ. P. 64 provides for the "seizure of person or property for the purpose of securing satisfaction ultimately to be entered in the action . . . under the circumstances and in the manner provided by the law of the state in which the district court is held. . . ." Fed. R. Civ. P. 64.

Under New York law, attachment is available if:

> (1) the defendant is a nondomiciliary residing without the state, or is a foreign corporation not qualified to do business in the state; or (2) the defendant resides or is domiciled in the state and cannot be personally served despite diligent efforts to do so; or (3) the defendant, with intent to defraud his creditors or frustrate the enforcement of a judgment that might be rendered in plaintiff's favor, has assigned, disposed of, encumbered or secreted property, or removed it from the state or is about to do any of these acts; or (4) the action is brought by the victim or the representative of

> the victim of a crime . . . . or (5) the cause of action is based on a judgment, decree or order of a court of the United States or of any other court which is entitled to full faith and credit . .

N.Y.C.P.L.R. § 6201.

"However, as CPLR 6212(a) makes clear, the court cannot issue an order of attachment solely because the requirements of CPLR 6201 have been met." General Textile Printing & Processing Corp. v. Expromtorg Int'l Corp., 862 F. Supp. 1070, 1073-1074 (S.D.N.Y. 1994).This Court has interpreted New York's CPLR 6201 as advancing two possible bases for an attachment: 1) to obtain jurisdiction over a non-resident defendant or 2) to secure a judgment where a defendant has evinced the intent to secret assets. Ames v. Clifford, 863 F. Supp. 175 (S.D.N.Y. 1994)(attachment **"**serves two independent purposes: obtaining jurisdiction over and securing judgments against non-domiciliaries residing without the State of New York. …When a defendant is a resident of the State of New York and, therefore, subject to the jurisdiction of the court, attachment is only permitted upon a showing that defendant is attempting to dispose of his assets in order to frustrate the ability of plaintiff to collect any judgment that might ultimately be obtained.").

Here, the Court has already exercised personal jurisdiction over the Defendant and "[w]hen jurisdiction already exists, attachment should issue only upon a showing that drastic action is required for security purposes."[4] Reading & Bates Corp. v. National Iranian Oil Co., 478 F. Supp. 724, 726 (S.D.N.Y. 1979); see also First National Bank of Downsville v. Highland Hardwoods, Inc., 98 A.D.2d 924, 926, 471 N.Y.S.2d 360, 362 (3rd Dep't 1983).

This, in turn requires a showing of intent to thwart the prospective recovery. And, again, in this regard, "'it is incumbent upon [the plaintiff] to demonstrate that the defendant

[4] For its part, the Plaintiff itself claims that "Kirtsaeng is subject to, and has not challenged, the personal jurisdiction of this Court." Pl. Memo. at 2.

is acting with intent to defraud. Fraud is not lightly inferred, and the moving papers must contain evidentiary facts -- as opposed to conclusions -- proving the fraud.'" Colon v. Cole Bros. Circus, Inc., 2007 U.S. Dist. LEXIS 76473, 7-8 (Oct. 12, 2007 E.D.N.Y.) (Israel Decl. Exh.6), quoting Brastex Corp. v. Allen Int'l, Inc., 702 F.2d 326, 331-32 (2d Cir. 1983) (affirming district court's denial of attachment where plaintiffs' sole evidence of fraudulent intent was defendant's violation of agreement with plaintiff and "shaky financial condition") (citation and quotation marks omitted) and citing Arias-Zeballos v. Tan, 06-CV-1268, 2007 U.S. Dist. LEXIS 5069, at *11-*12 (S.D.N.Y. Jan. 24, 2002) ("[I]t is incumbent upon a plaintiff to show, by affidavit or other competent evidence, the fraudulent intent of a defendant in disposing of, encumbering, removing or secreting his or her property to . . . frustrate the enforcement of a judgment that might be obtained in the future. Absent such a showing, the mere possibility that a defendant may remove assets from New York is too remote to justify prejudgment attachment."); see also General Textile Printing & Processing Corp. v. Expromtorg Int'l Corp., 862 F. Supp. 1070, 1074 (S.D.N.Y. 1994)("the papers submitted by plaintiff and the arguments presented to this Court fail to show that defendant possesses any intent to defraud. See Philatelic Foundation, 1986 WL 5629 * 3-4. 'To determine whether attachment for security purposes is justified, it is necessary to examine subsection (3) of § 6201. Under CPLR § 6201(3), "'it is incumbent upon [plaintiff] to demonstrate that the defendant is acting with intent to defraud'"); see also Computer Strategies v. Commodore Business Machines, 105 A.D.2d 167, 172, 483 N.Y.S.2d 716, 721 (2d Dep't 1984) (mere removal or assignment or other disposition of property not grounds for attachment absent an actual showing of fraudulent intent) reh'g denied, 110 A.D.2d 743, 488 N.Y.S.2d 616 (2d Dep't 1985).

Applicable to the case at Bar, in Ames v Clifford, 863 F Supp 175 (1994, SD NY), the Court held that even where defendant was liquidating her real property assets, transferring much of her art collection to France, and expressing interest in purchasing residence in Paris, attachment under CPLR § 6201(1) was not warranted. There, as here, the defendant had provided reasonable explanations for all purported "transfers" of assets, and there, as here, the plaintiff produced nothing other than guesses as to a defendant's "uncertain financial condition."

Wiley presents no affidavit by a witness with personal knowledge of a "fraudulent intent…. in disposing of, encumbering, removing or secreting his or her property to . . . frustrate the enforcement of a judgment that might be obtained in the future." Arias-Zeballos v. Tan, 06-CV-1268, 2007 U.S. Dist. LEXIS 5069, at *11-*12 (S.D.N.Y. Jan. 24, 2002); see also Encore Credit Corp. v. Lamattina, 2006 U.S. Dist. LEXIS 2935 (Jan. 18, 2006 E.D.N.Y.); Reading & Bates Corp. v. Nat'l Iranian Oil Co., 478 F. Supp. 724, 727 (S.D.N.Y. 1979).

Accordingly, the Plaintiff has not even begun to meet its burden and relief should be denied under New York's attachment statute. See, e.g., Colon v. Cole Bros. Circus, Inc., 2007 U.S. Dist. LEXIS 76473, 4-5 (Oct. 12, 2007 E.D.N.Y.) (Israel Decl. Exh. 6)**;** General Re Fin. Prods. Corp. v. Southern Cal. Edison Co., 2001 U.S. Dist. LEXIS 1117, 2-3 (Feb. 8, 2001 S.D.N.Y.)(it is the plaintiff's burden to submit evidence that the defendant is deliberately trying to remove assets from the state).

The record does warrant the Court's exercise of its discretionary power to freeze the Defendant's remaining assets under either subsections of N.Y.C.P.L.R §6201.

POINT 2
THE PLAINTIFF IS NOT ENTITLED TO A PRELIMINARY INJUNCTION

Within the Second Circuit, a preliminary injunction may be granted only upon a showing of "(a)) irreparable harm and (b) either (1) likelihood of success on the merits or (2) sufficiently serious questions going to the merits to make them a fair ground for litigation and a balance of hardships tipping decidedly toward the party requesting the preliminary relief.'" Hasbro Bradley, Inc. v. Sparkle Toys, Inc., 780 F.2d 189,192 (2d Cir. 1985), quoting Jackson Dairy. Inc. v. H.P. Hood & Sons. Inc., 596 F.2d 70, 72 (2d Cir. 1979). It is incumbent upon the movant to prove each element. E.g., Bell & Howell: Mamiya Co. v. Masel Supply Co., 719 F.2d 42, 45 (2d Cir. 1983).

A. The Plaintiff Has Not Shown a Risk of Irreparable Injury

The Plaintiff relies upon a *presumption of irreparable injury* in the copyright context and complains about lost sales opportunities. See Pl. Memo. at 11. The Court addressed these arguments in a very similar context in Original Appalachian Artworks, Inc. v. Granada Electronics, Inc., 1986 U.S. Dist. LEXIS 29114 (S.D.N.Y. Feb. 20, 1986) (Israel Decl. Exh. 1). There, the Plaintiff brought suit against a defendant who was selling foreign dolls in the Untied States and the Court addressed Wiley's very arguments as follows:

> I am aware that irreparable harm may ordinarily be presumed in a copyright infringement action. Hasbro Bradley, slip op. at 673; Wainwright Sec., Inc. v. Wall St. Transcript Corp., 558 F.2d 91, 94 (2d Cir. 1977), cert. denied, 434 U.S. 1014 (1978); Robert Stigwood Group Ltd. v. Speber, 457 F.2d 50, 55 (2d Cir. 1972). This is not, however, the ordinary case. This case is peculiar in that OAA collects a royalty from Jesmar for every foreign doll that allegedly infringes OAA's American copyrights. **Thus, depending on the royalties OAA receives from Coleco and Jesmar for each doll they produce, OAA may not suffer any direct monetary harm**

> **from Granada's alleged infringement, let alone an irreparable one.** If Jesmar pays OAA a larger royalty per doll than Coleco, OAA may even benefit financially from Granada's alleged infringement, even assuming that every Jesmar doll sold means that one less Coleco doll is sold, which is not at all apparent on the present record.
>
> Id. (emphasis added.)

The Plaintiff has itself undercut its position in this regard by refusing to identify the amounts it achieved on the Defendant's sales in its interrogatory responses. See Israel Decl. Exh. 2 at Interrogatory Response No. 4, p. 3. In short, the Plaintiff is not poised to maintain a position as to the gravity of its damages or the quantum of its alleged losses since it has elected to withheld the very information from the Defendant that would have permitted such an assessment.

B. The Plaintiff Has Not Demonstrated a Likelihood of Success On the Merits.

The Supreme Court has made it crystal clear that that the so- called *first sale doctrine*, see 17 U.S.C. § 109, provides that, "once a copyright owner places a copyrighted item in the stream of commerce by selling it, he has exhausted his exclusive statutory right to control its distribution." Quality King Distributors, Inc. v. L'Anza Research Int'l, Inc., 523 U.S. 135, 152 (1998). "[T]he copyright holder, notwithstanding the exclusive distribution right conferred by Section 106(3) of the Copyright Act, is deemed by its 'first sale' of a copy of the copyrighted work to have consented to [the] subsequent sale of the copy." Universal City Studios, Inc. v. Reimerdes, 111 F. Supp. 2d 294, 317 n. 137 (S.D.N.Y. 2000).

Significantly, the doctrine applies only to copies that are "lawfully made under this title." Id. at 152. Yet, here, the volumes sold by the Defendant were *lawfully made* under Section 106(3) of the Copyright Act since each of the books bears a copyright notice indicating exactly that. See Kirtsaeng Decl., Exhibit 1. In fact, the Plaintiff insists that "the fact that Wiley authorized the printing of the textbooks in a foreign country is irrelevant" to whether they were *lawfully made*, Pl. Memo. at 14, thereby conceding the applicability of the defense.[5]

Moreover, there is an issue as to whether Wiley is even the correct party to prosecute at least a portion of the copyright claim against the Defendant. As can be seen in Exhibit 1 to the Kirtsaeng Decl., the inside flap of one of the books reveals that its copyright is owned by John Wiley & Sons (Asia) Pte Ltd. which entity is not a party to this action and whose identity—in relation to the Plaintiff has not been established.

IV.
<u>CONCLUSION</u>

For the foregoing reasons, the Defendant respectfully submits that the Motion should be denied in its entirety and the Court should grant such other and further relief that it deems just and proper.

Respectfully submitted:
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Dated: New York, New York
May 6, 2009

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[5] This case also presents an issue as to whether the transshipment of the allegedly infringing goods triggers the claim or whether the sale in the US of foreign copyrighted goods, independent of how they arrived here is sufficient to trigger a claim. In the cited cases the defendants physically brought the goods into the United States; Kirtsaeng did not.