

**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK**

-----	X	
ROBERT ALLEN LEE, individually	:	
and on behalf of all others similarly situated,	:	
	:	
Plaintiffs,	:	Civil Action No. 1:11-cv-08665 (PAC)
	:	
v.	:	ECF CASE
	:	
STACY MAKHNEVICH <i>et al.</i> ,	:	
	:	
Defendants.	:	
-----	X	

**MEMORANDUM OF LAW IN OPPOSITION TO DEFENDANTS’
MOTION TO DISMISS**

Paul Alan Levy
Gregory Beck
Public Citizen Litigation Group
1600 20th Street NW
Washington, D.C. 20009
(202) 588-7725 Telephone
(202) 588-7795 Facsimile
plevy@citizen.org

Bruce P. Keller
Jeffrey P. Cunard
DEBEVOISE & PLIMPTON LLP
919 Third Avenue
New York, New York 10022
(212) 909-6000 Telephone
(212) 909-6836 Facsimile
bpkeller@debevoise.com
jpcunard@debevoise.com

Attorneys for Plaintiffs

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PRELIMINARY STATEMENT

Plaintiff Robert Allen Lee (“Lee”) filed this action in direct response to repeated threats of a lawsuit for copyright infringement and related claims.

Defendant Stacy Makhnevich and her dental practice (separately and collectively, “Makhnevich”) require all patients, as a condition to dental care, to (1) sign documents prohibiting them from authoring any critical comments about their treatment and (2) assign to Makhnevich the copyright in anything they may write in violation of that prohibition (the “Copyright Contract”). These conditions were imposed, not because Makhnevich truly wants ownership of the copyright in such patient-authored comments, but as a safety net against unwanted (even if well-deserved) criticism.

Makhnevich overcharged Lee by thousands of dollars and failed to submit his paperwork to his insurance company. In response, Lee warned other prospective patients about these incidents in postings to web sites known to host consumer ratings of doctors, dentists and others.

Makhnevich responded to these comments by, among other things, threatening to sue Lee for copyright infringement, and even sent Lee a draft complaint. As a result, Lee filed this action, asking this Court to declare that the Copyright Contract is unenforceable and that his online postings otherwise do not infringe or defame. Makhnevich moved to dismiss under Rule 12(b)(6) for failure to state a claim and under Rule 12(b)(1) for lack of subject matter

jurisdiction. Makhnevich's motion is precluded by well-established precedent, including some of the cases upon which defendants rely. The motion should be denied.¹

STATEMENT OF FACTS AND PROCEDURAL HISTORY

The following summary is drawn from the complaint, which is chock full of specific facts, many supported by the exhibits that are attached to it. Stacy Makhnevich, a New York dentist, requires all patients to sign forms that purport to give patients extra privacy rights in return for their agreement not to make public statements about her and to assign to her the copyright in anything they may write about her. Compl. ¶¶ 2, 5, 18-19, & Ex. A. Lee, a former Makhnevich patient, complained on Yelp and DoctorBase, web sites that allow customers to post comments about businesses, that he had been overcharged by Makhnevich and that she had prevented him from getting reimbursed by his insurance company. Compl. ¶ 26 & Ex. B, C.

Makhnevich took multiple steps that threatened Lee with a lawsuit for copyright infringement, breach of contract and defamation for those postings. First, she sent Lee a draft of a complaint, alleging claims for copyright infringement, defamation and breach of contract, and seeking \$110,000 in compensatory damages as well as punitive damages and attorneys' fees. Compl. ¶ 27 & Ex. D. Underscoring her intent to sue Lee for copyright infringement, she then sent notices to Yelp and DoctorBase, pursuant to the "safe harbor" provisions of the Digital

¹ Although Makhnevich does not address the issue in the motion to dismiss, this Court identified a preliminary issue at the March 5, 2012 pre-motion conference regarding the copyrightability of Lee's online postings. Hr'g Tr. 3-4, 5-7. Valid copyrights exist in all "original works of authorship fixed in any tangible medium of expression," including all "literary works," 17 U.S.C. § 102, which are broadly defined to include any "works . . . expressed in words." 17 U.S.C. § 101. The originality standard is low. *Feist Publ'ns v. Rural Tel. Servs. Co.*, 499 U.S. 340, 362 (1991). The work must be independently created, rather than copied. *Id.* at 345. The only additional requirement is "a slight amount" of creativity – anything more than the alphabetical listing of names in a telephone book will suffice. *Id.* at 345, 362-63. Lee's comments, although brief, clearly reflect his personal views of his treatment by Makhnevich and, therefore, reflect "his choice of words and the emphasis he gives to particular developments," making those comments copyrightable. *Salinger v. Random House*, 811 F.2d 90, 98 (2d Cir. 1987) (quoting *Wainwright Securities v. Wall Street Transcript Corp.*, 558 F.2d 91, 95-96 (2d Cir. 1977)).

Millennium Copyright Act (“DMCA”), 17 U.S.C. § 512(c), requesting that they take down Lee’s postings because they infringed her copyright. Compl. ¶ 28 & Ex. E.² She subsequently sent two invoices to Lee, purporting to bill him \$100 per day for each day that the comments remained online. Compl. ¶¶ 4, 29 & Ex. F. The second threatened to initiate collection proceedings if Lee did not comply. Compl. Ex. F. Last, she retained an attorney to write a separate letter to Lee, expressly threatening suit. Compl. ¶ 30 & Ex. G.

Only after all of that did Lee file this action, on his own behalf as well as on behalf of all the Makhnevich patients required to sign the Copyright Contract as a condition of treatment. The complaint seeks a declaratory judgment that the Copyright Contract is null and void under both federal and state law and that Makhnevich does not have copyright, contract or defamation claims.

Without seeking a pre-motion conference as required by Rule 3.D. of this Court’s individual practices, Makhnevich moved to dismiss the complaint on February 14, 2012. On February 17, 2012, the Court set a pre-motion conference for February 28, 2012, which, at Makhnevich’s request, was adjourned to March 5, 2012. At the pre-motion conference, the Court explained that Makhnevich’s motion, to the extent directed to the class allegations, was premature and directed Makhnevich to refile the motion to dismiss with references to the class

² Under the DMCA, web sites like Yelp and DoctorBase are not liable for damages for hosting purportedly infringing user-generated content if, upon obtaining notice of claimed infringement, they “respond[] expeditiously to remove, or disable access to, the material that is claimed to be infringing.” 17 U.S.C. § 512(c)(1)(C). Makhnevich’s notices were a preliminary step toward suing those service providers for contributory copyright infringement – based on her having a claim for direct infringement against Lee – if they did not promptly remove Lee’s comments. *See Doe v. Geller*, 533 F. Supp. 2d 996, 1001-02 (N.D. Cal. 2008) (explaining that when YouTube website receives notice from copyright holder that user-generated video infringes holder’s copyright, “YouTube then must remove the material from its servers or face infringement liability itself” (citing § 512(c)(1)(C))); *Capital Records v. MP3tunes*, 611 F. Supp. 2d 342, 346 (S.D.N.Y. 2009) (“The DMCA requires that copyright owners follow the notice provisions provided in 17 U.S.C. § 512(c)(1) – a DMCA ‘Take Down Notice’ – in order to hold internet service providers liable for copyright infringement.”).

action aspects of the complaint removed. Hr’g Tr. 4-5, 9. Despite the Court’s clear instructions, on March 19, 2012, Makhnevich refiled the February 14th motion, reasserting many of the same objections to the class claims that were set out in the original motion. Def. Br. 7-10, 14-15.³

ARGUMENT

Makhnevich makes three arguments to support the motion to dismiss: (1) there is no case or controversy because her repeated steps towards enforcement of the copyright she purportedly owns were just “empty threats”; (2) the threats were particularly empty because she never registered the copyright in Lee’s postings (or in any commentary written by any member of the class); and (3) the Court lacks diversity jurisdiction because Lee himself seeks less than \$5,000 in individual damages and the amount of damages for which Makhnevich threatened to sue Lee is irrelevant to the amount in controversy.

None of these arguments are sound. Many are foreclosed by Supreme Court and Second Circuit precedent.

³ Given the Court’s instruction at the March 5, 2012 pre-motion conference, this memorandum does not address those portions of Makhnevich’s motion that attack the class claims, other than to note, as Plaintiffs did in their Rule 3.D. letter dated February 27, 2012, that the class allegations are well-pleaded and any challenge to them at this juncture in the proceedings is premature. *See* 7B Charles A. Wright, Arthur R. Miller & Mary Kay Kane, FEDERAL PRACTICE AND PROCEDURE, § 1798 (2012) (“[c]ompliance with the Rule 23 prerequisites . . . should not be tested by a motion to dismiss for failure to state a claim”); *see also* footnotes 6, *infra* (standing of class members irrelevant), and 8, *infra* (amount in controversy of class members irrelevant).

I. The Motion to Dismiss Standard.

When considering a motion to dismiss under Rule 12(b)(6), the question for the Court is whether the complaint alleges “enough facts to state a claim that is plausible on its face.” *La Grande v. DeCrescente Distrib. Co.*, 370 Fed. App’x 206, 208-09 (2d Cir. 2010) (quoting *Bell Atl. Corp. v. Twombly*, 550 U.S. 544, 570 (2007)). Under this pleading standard, the complaint “need not contain detailed factual allegations,” *id.* at 213, nor does the standard require a plaintiff to plead “specific evidence” or “extra facts.” See *Arista Records v. Doe*, 604 F.3d 110, 120-21 (2d Cir. 2010). A plaintiff “need not establish a *prima facie* case,” “only sufficient facts to give the defendant fair notice of [the claim] and the grounds upon which it rests.” *La Grande*, 370 Fed. App’x at 211 (internal quotations omitted).

In applying this test, the Court should not weigh evidence or assess the plaintiff’s probability of success. See *Starr v. Sony BMG Music Entm’t*, 592 F.3d 314, 322, 325 (2d Cir. 2010); *Goldman v. Belden*, 754 F.2d 1059, 1067 (2d Cir. 1985). Rather, as the Second Circuit explained in *Starr*:

Asking for plausible grounds to infer [a claim] does not impose a probability requirement at the pleading stage; it simply calls for enough facts to raise a reasonable expectation that discovery will reveal evidence of [such a claim]. And, of course, a well-pleaded complaint may proceed even if it strikes a savvy judge that actual proof of those facts is improbable, and that a recovery is very remote and unlikely.

Starr, 592 F.3d at 325 (internal quotations and citations omitted).

Similarly, in considering a motion to dismiss for lack of subject matter jurisdiction, “the court must assume the truth of the material factual allegations in the complaint.” *Linzer Prods. Corp. v. Sekar*, 499 F. Supp. 2d 540, 546 (S.D.N.Y. 2007) (citing *Triestman v. Fed. Bureau of Prisons*, 470 F.3d 471, 474 (2d Cir. 2006)); see also *Jaghory v. N.Y. State Dep’t of Educ.*, 131 F.3d 326, 329 (2d Cir. 1997) (same).

II. The Complaint Pleads an “Actual Controversy” Arising Under the Copyright Act.

The Declaratory Judgment Act, 28 U.S.C. § 2201 provides, in pertinent part:

In a case of *actual controversy* within its jurisdiction, . . . any court of the United States, upon the filing of an appropriate pleading, may declare the rights and other legal relations of any interested party seeking such declaration.

28 U.S.C. § 2201(a) (emphasis added).

Two elements must be pleaded to establish subject matter jurisdiction in a declaratory judgment action under the Copyright Act: (1) the existence of a federal question⁴; and (2) an “actual controversy” between the parties. *See Starter Corp. v. Converse, Inc.*, 84 F.3d 592, 595 (2d Cir. 1996). Makhnevich contends that the “actual controversy” requirement is not met because Lee could not have had a “reasonable apprehension” of litigation. Def. Br. 8-10.

There are three problems with Makhnevich’s reasoning. *First*, the “reasonable apprehension” test is no longer good law. Under the Supreme Court’s 2007 decision in *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118, 127, 133 n.11 (2007), the Court is required to apply a totality-of-the-circumstances test. *See Nike, Inc. v. Already, LLC*, 663 F.3d 89, 95-96 (2d Cir. 2011) (applying the *MedImmune* test in the Second Circuit).⁵

⁴ A declaration of copyright non-infringement obviously satisfies the federal question requirement because federal subject matter jurisdiction over copyright cases is exclusive. *See* 28 U.S.C. § 1338(a) (federal jurisdiction over “any civil action arising under any Act of Congress relating to . . . copyrights . . . *shall be exclusive of the courts of the states*”) (emphasis added); *Barnhart v. Federated Dep’t Stores*, No. 04-3668, 2005 U.S. Dist. LEXIS 3631, at *10-11 (S.D.N.Y. Mar. 8, 2005) (declaration of copyright ownership arises under federal law because Copyright Act is exclusive source of rights arising from authorship of work fixed in tangible form).

⁵ The *MedImmune* totality-of-the-circumstances test lowers what had been the threshold for demonstrating an actual case or controversy under the Declaratory Judgment Act. *See Prasco, LLC v. Medicis Pharmaceutical Corp.*, 537 F.3d 1329, 1336 (Fed. Cir. 2008) (“[F]ollowing *MedImmune*, proving a reasonable apprehension of suit is one of multiple ways that a declaratory judgment plaintiff can . . . establish that an action presents a justiciable Article III controversy”); *Russian Standard Vodka (USA) v. Allied Domecq Spirits & Wine USA*, 523 F. Supp. 2d 376, 382 (S.D.N.Y. 2007) (“The *MedImmune* standard is necessarily less rigorous”); *Telebrands Corp. v. Exceptional Prods.*, No. 11-CV-2252, 2011 WL 6029402, at *2 n.2 (D.N.J. Dec. 5, 2011) (“*MedImmune* significantly lowers the bar for showing an actual controversy.”).

Second, the complaint contains plentiful and well-pleaded allegations of threats to sue Lee for copyright infringement that, on a 12(b)(1) motion to dismiss, the Court cannot ignore. See *Bobrowsky v. The Yonkers Courthouse*, 777 F. Supp. 2d 692, 703 (S.D.N.Y. 2011) (“[U]nder both Rule 12(b)(1) and Rule 12(b)(6), ‘the court must accept all factual allegations in the complaint as true and draw inferences from those allegations in the light most favorable to the plaintiff.’” (quoting *Jaghory*, 131 F.3d at 329)).

Third, the well-pleaded allegations of Lee’s complaint easily satisfy both the Supreme Court’s totality-of-the-circumstances test as well as the older, reasonable apprehension test.

Under the totality-of-the-circumstances test, courts ask “whether the adversity of legal interests that exists between the parties is “real and substantial” and “admi[ts] of specific relief through a decree of a conclusive character, as distinguished from an opinion advising what the law would be upon a hypothetical state of facts.”” *Nike*, 663 F.3d at 95-96 (quoting *MedImmune*, 549 U.S. at 127 (quoting *Aetna Life Ins. Co. v. Haworth*, 300 U.S. 227, 241 (1937))); see also *Telebrands Corp. v. Exceptional Prods.*, No. 11-CV-2252, 2011 WL 6029402, at *2 (D.N.J. Dec. 5, 2011) (“[T]he Court must decide ‘whether the facts alleged, under all the circumstances, show that there is a substantial controversy, between parties having adverse legal interests, of sufficient immediacy and reality to warrant the issuance of a declaratory judgment’” (quoting *MedImmune*, 549 U.S. at 127 (quoting *Md. Cas. Co. v. Pac. Coal & Oil Co.*, 312 U.S. 270, 273 (1941)))).

The specific facts in the complaint and the attached exhibits clearly show that there is a “real and substantial” adversity of legal interests between Lee and Makhnevich:

- On August 25, 2011, Makhnevich sent Lee a letter stating that she was “pursuing all legal causes of action” and enclosed a draft complaint “scheduled for initial filing on September 26th, 2011”; the prayer in that draft complaint sought compensatory damages of \$110,000 as well as punitive damages and attorneys’ fees. Compl. ¶ 27 & Ex. D.

- On September 8, 9, and 13, 2011, Makhnevich sent communications to third-party Internet service providers asserting a copyright interest in Lee's postings, demanding they respect that interest by removing Lee's comments, and warning them of the infringement liability they would incur if the comments remained online. Compl. ¶ 28 & Ex. E.
- On September 12, 2011, Makhnevich sent Lee an invoice purporting to charge him a daily fee for "Copyright Infringement," "up to \$100,000." Compl. ¶ 29 & Ex. F.
- On October 5, Makhnevich sent Lee a second invoice with a notation that the account would be turned over to a collection agency within 10 days. Compl. ¶ 29 & Ex. F. Because statutory damages can be awarded in infringement cases, 17 U.S.C. § 505, the two invoices further threatened infringement litigation.
- On October 24, 2011, Makhnevich's counsel sent Lee a letter stating that "all legal possible actions will be taken against you." Compl. ¶ 30 & Ex. G.

Four express threats of litigation, including one from counsel, plus threats directed to third parties, demonstrate a "real and substantial" adversity of legal interests under *MedImmune*. See *Starter*, 84 F.3d at 595 (holding that an unambiguous communication of intent to bring infringement action satisfied the higher reasonable-apprehension-of-liability test). In fact, Makhnevich's threats to sue Lee for copyright infringement are still outstanding. See *Ritz Hotel v. Shen Mfg. Co.*, 384 F. Supp. 2d 678, 683 (S.D.N.Y. 2010) ("Because this is not a case 'where the defendant has "entered into a binding, judicially enforceable agreement"' not to sue, the actual controversy is still alive." (quoting *Kidder, Peabody & Co. v. Maxus Energy Corp.*, 925 F.2d 556, 563 (2d Cir. 1991)). Moreover, Makhnevich's last threat, expressed by her counsel in the October letter, contained no deadline by which the suit would commence. Compl. Ex. G. And far from walking away from her form agreement, on January 29, 2012, well after this action was filed, one of Makhnevich's counsel was quoted in the *Washington Post* as suggesting that Makhnevich stands by the validity of her contract with Lee and her many threats of litigation. See Dina ElBoghdady, *A quick-fix remedy for complainers*, WASH. POST, January 29, 2012, at G-1, G-5, available at http://www.washingtonpost.com/todays_paper?dt=2012-01-29&bk=G&pg=1

(last viewed March 21, 2012) (“We stand by any or all actions taken by Dr. Makhnevich as of this date, including the document.”).

The cases on which Makhnevich relies, Def. Br. at 7, apply the reasonable apprehension standard, which is now superseded by *MedImmune*. See *Nike*, 663 F.3d at 95-96. She cites no cases to support either her “empty threats” argument or her argument that she first had to file a complaint before Lee could file his action. Def. Br. 8-10. Indeed, at the most basic level, the argument that the recipient of repeated legal threats has to wait to be sued before filing a declaratory judgment action is completely illogical. The whole purpose of such an action is to clear the air and prevent the accrual of damages. See *In re Quigley Co.*, 361 B.R. 723, 739 (Bankr. S.D.N.Y. 2007) (noting Declaratory Judgment Act’s goal of providing early adjudication to persons uncertain of their rights prior to accrual of avoidable damages).

Even under the prior, reasonable apprehension standard, as applied in the cases cited by Makhnevich, the facts as alleged in the complaint easily satisfy that test. In *Cosa Instrument Corp. v. Hobr  Instruments*, 698 F. Supp. 345, 346-47, 349 (E.D.N.Y. 2010), the declaratory judgment defendant made two threats to sue by deadlines that came and went; nevertheless, the court found that the plaintiff had a reasonable apprehension of liability. Similarly, in *Ritz Hotel*, 384 F. Supp. 2d at 679-80, the declaratory judgment defendant’s counsel threatened an infringement suit, but later said a suit was only “possible.” Noting the Second Circuit’s “broad interpretation of reasonable apprehension of being sued,” the court held that the plaintiff’s apprehension was reasonable. *Id.* at 682.

That Makhnevich’s initial letter and draft complaint were not sent by an attorney (Def. Br. 8) is irrelevant. Indeed, *Ritz Hotel*, 384 F. Supp. 2d at 682, relied on by Makhnevich, cites

EMC Corp. v. Norand Corp., 89 F.3d 807, 809, 812 (Fed. Cir. 1996), where the “most telling” evidence of reasonable apprehension was a letter sent by a consultant, not a lawyer.

In short, neither Makhnevich’s (unsupported) arguments nor her characterizations of the facts take away from what is clear from her actual threats, detailed in the complaint: “the facts alleged, under all the circumstances, show that there is a substantial controversy, between parties having adverse legal interests, of sufficient immediacy and reality to warrant the issuance of a declaratory judgment.” *MedImmune*, 549 U.S. at 127 (quoting *Md. Cas.*, 312 U.S. at 273).⁶

III. An Alleged Copyright Infringer Need Not Wait for the Copyright Holder to Register a Copyright Before Suing for a Declaration of Non-Infringement.

Makhnevich makes another type of “empty threats” argument. She contends that her failure to register her copyright claim not only means her infringement threats were empty, but also actually prevents this Court from issuing a declaration of non-infringement. That argument is plainly incorrect for two reasons. *First*, it is based on the premise, now rejected by the Supreme Court, that copyright registration is a jurisdictional requirement. Def. Br. 4-5. *Second*, it confuses the prerequisite of a copyright registration for bringing a copyright infringement suit with the prerequisite governing a suit for a declaration of non-infringement. Those two are quite different.

A. Registration Is Not a Jurisdictional Requirement.

Section 411(a) of the Copyright Act provides that, with certain exceptions, “no civil action for infringement of the copyright in any United States work shall be instituted until

preregistration or registration of the copyright claim has been made in accordance with this title.” 17 U.S.C. § 411(a). As Makhnevich recognizes, Def. Br. 4, the Supreme Court has determined that that language does not create a jurisdictional prerequisite to bringing an infringement action. *See Reed Elsevier v. Muchnick*, 130 S. Ct. 1237, 1241 (2010). Thus, the holding of *Stuart Weitzman, LLC v. Microcomputer Resources*, 542 F.3d 859, 863 (11th Cir. 2008) – the older, pre-*Reed Elsevier* case on which Makhnevich principally relies – that copyright registration is required for subject matter jurisdiction over copyright infringement actions, including for declaratory relief, is no longer good law.

Stuart Weitzman held that, in addition to actions for infringement, copyright registration is a jurisdictional prerequisite to actions seeking declarations of non-infringement. *Id.* at 862 n.1, 863. This holding was based on the unique way that courts assess the federal question jurisdiction of suits seeking a declaration of non-infringement (there was no diversity in *Stuart Weitzman*). *Id.* at 861-62 & 862 n.1. Instead of considering whether federal question jurisdiction exists on the face of the well-pleaded complaint, a court in a declaratory judgment action asks whether such jurisdiction would be present if the parties’ roles were reversed and the defendant in the declaratory judgment action were the one to sue the plaintiff. *Id.* at 861-62; *see also Franchise Tax Bd. v. Constr. Laborers Vacation Trust*, 463 U.S. 1, 19 & n.19 (1983) (explaining that courts have jurisdiction over declaratory judgment suits where, if declaratory judgment defendant had “brought a coercive action to enforce its rights,” suit would necessarily

⁶ Makhnevich also argues that there is no actual case or controversy with regard to the class. Def. Br. 7-10. This argument is foreclosed by the Court’s instruction at the pre-motion conference that any refiled motion should not include attacks on the class claims. Hr’g Tr. 4-5, 9. It also is foreclosed by the governing law on class action standing. “The standing analysis in the context of a class action looks to the status of the named plaintiff, not the standing of unidentified class members.” *Salsitz v. Peltz*, 210 F.R.D. 95, 99 (S.D.N.Y. 2002); *accord DG ex rel. Stricklin v. Devaughn*, 594 F.3d 1188, 1198 (10th Cir. 2010); *Kohen v. Pac. Inv. Mgmt. Co.*, 571 F.3d 672, 676-77 (7th Cir. 2009); *Gale v. Chicago Title Ins. Co.*, 274 F.R.D. 361, 371 (D. Conn. 2011).

present a federal question, and citing, as example, suits to declare patents invalid). In the context of an action brought by an alleged copyright infringer for a declaration of non-infringement, this means that the court assesses whether it has federal question jurisdiction over the action by asking whether it would have jurisdiction over a pretend copyright infringement action brought by the copyright holder against the alleged infringer. *See Stuart Weitzman*, 542 F.3d at 863. Employing this analysis, the court in *Stuart Weitzman* held that it had no federal question jurisdiction over an alleged infringer's declaratory action because it would have had no jurisdiction over a pretend copyright infringement suit brought by the holder of the unregistered copyright. *Id.*

The Supreme Court specifically held in *Reed Elsevier*, however, that copyright registration is *not* a jurisdictional prerequisite to a copyright infringement suit. 130 S. Ct. at 1241. As a leading copyright treatise has stated, *Reed Elsevier* “evaporate[d]” *Stuart Weitzman*'s jurisdictional premise. Melville B. Nimmer & David Nimmer, 2-7 NIMMER ON COPYRIGHT § 7.16(B)(3)(b)(v) (Matthew Bender, Rev. Ed.). *Stuart Weitzman* “cannot survive the Supreme Court's ruling.” *Id.*

The only post-*Reed Elsevier* decision to address the propriety of a declaratory judgment suit against a copyright owner who had yet to register but had threatened an infringement action directly rejected “out-of-date case law, such as *Stuart Weitzman*,” and held that, under *Reed Elsevier*, “the absence of registration does not prevent a federal court from exercising jurisdiction over a copyright infringement suit.” *Telebrands*, 2011 WL 6029402, at *3.

B. Common Sense and Policy Reasons Illustrate Why Registration Is Not a Prerequisite for a Declaration of Non-Infringement.

The *Telebrands* opinion also is instructive because it makes clear why the registration requirement of Section 411(a) does not apply to actions seeking a declaration of non-infringement:

[E]ven without *Reed Elsevier v. Muchnick*'s clarification . . . the Eleventh Circuit's reasoning [in *Stuart Weitzman*] still seems plainly wrong, given that the registration requirement set forth in the statute explicitly applies only to "an action for infringement of the copyright," not to a declaration of rights under the Copyright Act.

Id. at *3 n.3 (quoting 2-7 NIMMER ON COPYRIGHT § 7.16[B][3][b][v]). Other courts have reached a similar conclusion. *See Application Science & Tech. v. Statmon Techs. Corp.*, No. 05-C-6864, 2006 WL 1430215, at *1 (N.D. Ill. Apr. 26, 2006) ("[C]an a party accuse another of infringement and prevent the alleged infringer from seeking redress by failing to bring a coercive lawsuit? The answer is obviously 'no'; that is a reason for permitting declaratory judgment actions.").

The reason why registration is not a prerequisite for bringing a declaratory judgment action is simple. Only copyright owners can register their works. 17 U.S.C. §§ 408(a), 409(5). Congress intended to encourage them to do so, which is why Congress conditioned bringing a copyright infringement lawsuit on prior registration. *See Cosmetic Ideas v. IAC/InterActiveCorp*, 606 F.3d 612, 620 (9th Cir. 2010) ("[T]he central goal of . . . the pre-litigation registration requirement [is to act] as an incentive to help Congress maintain a robust national register of copyrights.").

There is, however, no corresponding benefit when a potential defendant seeks a declaration of non-infringement and certainly none when a copyright owner, who threatens to sue for infringement, is able to forestall a legal determination of a user's rights by simply

refusing to apply for a registration. In fact, to encourage non-registration by dismissing suits for declarations of non-infringement would allow copyright holders to suppress fair use criticism by threatening infringement lawsuits while simultaneously insulating their assertions of infringement from judicial scrutiny. That would be inimical to the purpose of the Copyright Act, which is to increase, not decrease, the amount of information that is useful to the public. *See Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 524-27 (1994). Congress did not intend for defendants like Makhnevich to use the Copyright Act both as a sword – to stifle criticism by threatening high-dollar infringement actions – and as a shield – to preclude users from receiving any clarity from the courts by choosing not to register.

Even before *Reed Elsevier* was decided, district courts were alert to the danger of such manipulation and refused to dismiss declaratory judgment actions where the copyright owner had initiated an enforcement proceeding, even a state-court infringement action that is patently unlawful because federal courts have exclusive jurisdiction over actions arising under copyright law. *See Application Science*, 2006 WL 1430215, at *1 (“obvious[]” that copyright holder cannot “prevent the alleged infringer from seeking redress” by “failing to register the copyright”); *Optovue Corp. v. Carl Zeiss Meditec*, No. C-07-3010, 2007 WL 2406885, at *4 (N.D. Cal. Aug. 20, 2007) (approving of *Application Science*, but finding no reasonable apprehension on facts of that case); *see generally* 17 U.S.C. § 301 (preemption of state law claims equivalent to copyright); 28 U.S.C. § 1338 (district courts have original jurisdiction of actions arising under copyright law).

In short, the effect of Section 411(a) is clear: the registration requirement applies only to copyright infringement suits by copyright holders, not to actions by alleged infringers for declarations of non-infringement. Makhnevich’s arguments to the contrary seek to pervert and

distort the both the congressional intent behind Section 411(a) and the Copyright Act's larger purpose of increasing the flow of information that is useful to the public.

IV. The Court Also Has Diversity Jurisdiction Over the State Law Claims Because the Amount in Controversy – Measured from Lee's Viewpoint – Is Over \$75,000.

Because there is federal question jurisdiction and there is no basis to dismiss the federal causes of action, the Court has supplemental jurisdiction over the state-law claims under 28 U.S.C. § 1367. The Court also has jurisdiction over the state-law claims under 28 U.S.C. § 1332 because the citizenship of the parties is diverse. Makhnevich seeks dismissal of these claims for lack of jurisdiction on the theory that the \$75,000 amount-in-controversy requirement for diversity jurisdiction cannot be met. That argument is frivolous. Allegations of the amount in controversy must be accepted unless the defendant shows, "to a legal certainty," that that amount could not exceed \$75,000. *See Scherer v. Equitable Life Assurance Society of U.S.*, 347 F.3d 394, 397 (2d Cir. 2003) (quoting *St. Paul Mercury Indem. Co. v. Red Cab Co.*, 303 U.S. 283, 288-89 (1938)).

Here, the complaint alleges the jurisdictional amount, Compl. ¶ 13, and Makhnevich's own letter and draft complaint sought damages of at least \$100,000 and \$110,000, respectively, both well in excess of the \$75,000 jurisdictional threshold. Compl. Ex. D.

Makhnevich argues that these allegations are insufficient to support diversity jurisdiction because, in the Second Circuit, the amount in controversy is calculated from the plaintiff's viewpoint, and plaintiff Lee's prayer for individual damages for breach of contract is well below the amount in controversy. Def. Br. 11-12. The very declaratory judgment case that Makhnevich cites, however, *Kheel v. Port of New York Auth.*, holds that the value of the controversy from the plaintiff's viewpoint includes "the value of . . . the injury being averted." 457 F.2d 46, 49 (2d Cir. 1972); *see also Sarfraz v. Vohra Health Servs.*, 663 F. Supp. 2d 147,

151 (E.D.N.Y. 2009) (holding that plaintiffs seeking a declaration that non-compete covenants in their employment contracts were unenforceable satisfied amount-in-controversy requirement where covenants “could cost each plaintiff more than \$75,000 in salary over the period set forth in the contracts”; motion to dismiss denied). When the declaratory judgment complaint seeks to avoid liability, the injury being averted properly considers the amount of damages that defendant seeks to impose on the plaintiff and that plaintiff seeks to avoid. See *Beacon Constr. Co. v. Matco Elec. Co.*, 521 F.2d 392, 399 (2d Cir. 1975) (holding in declaratory judgment action that the “amount in controversy is not necessarily the money judgment sought or recovered, but rather the value of the consequences which may result from the litigation,” i.e., the “potential liability” of the declaratory judgment plaintiff). For example, in *Doctor’s Associates v. Hamilton*, 150 F.3d 157, 159 (2d Cir. 1998), Hamilton sued Doctor’s Associates in state court for \$1 million in damages for fraudulently inducing him to enter into a franchising agreement, and Doctor’s Associates petitioned the federal court to compel Hamilton to submit the dispute to arbitration, as required by the franchising agreement, and to enjoin Hamilton from prosecuting the state action. The Second Circuit held that the amount-in-controversy requirement for Doctor’s Associates’ federal action to compel arbitration was satisfied because, in the state court suit Doctor’s Associates sought to enjoin, Hamilton had sought more than \$75,000 in damages against Doctor’s Associates, notwithstanding a \$50,000 cap on liability. *Id.* at 161 (explaining that if Doctor’s Associates ultimately prevailed in the arbitration that it sought to compel, it “would have defeated a claim” in excess of \$75,000).

Here, if Lee succeeds in his litigation, he will have avoided the \$110,000 that Makhnevich’s draft complaint seeks in compensatory damages alone. Compl. Ex. D. In addition, it is well established that claims for attorneys’ fees pursuant to contract or state statute

may be counted toward the amount in controversy. *See Springstead v. Crawfordsville State Bank*, 231 U.S. 541, 542 (1913) (attorneys' fees counted where promissory notes provided a "right to recover" attorneys' fees and created a "legal obligation to pay" if suit brought; liability to pay fees is "computed in making up the requisite jurisdictional amount"); *Mo. State Life Ins. Co. v. Jones*, 290 U.S. 199, 202 (1934) (attorneys' fees counted where state statute provided loser "shall" be liable for fees); *Kimm v. KCC Trading*, 449 Fed. App'x. 85, 85-86 (2d Cir. 2012) ("Attorneys' fees may be used to satisfy the amount in controversy only if they are recoverable as a matter of right pursuant to statute or contract."). Therefore, the amount of attorneys' fees that Makhnevich is seeking pursuant to the Copyright Contract, Compl. Ex. D, and which Lee is now seeking to avoid, also counts towards the amount in controversy. Finally, if Lee succeeds, he will have avoided Makhnevich's claim for punitive damages, Compl. Ex. D, the amount of which also counts towards the amount in controversy. *See A.F.A. Tours v. Whitchurch*, 937 F.2d 82, 87 (2d Cir. 1991) (punitive damages count if permitted under controlling state law).⁷

In short, the complaint offers far more than conclusory allegations – it provides specific facts, in the form of Makhnevich's own words and acts, showing that the amount in controversy

⁷ Even if, contrary to the Second Circuit's rule, the value of the injury sought to be averted by the declaratory judgment action did not count towards the amount in controversy, that amount would still be satisfied here by Lee's claim for attorneys' fees in connection with his affirmative claim that the Copyright Contract is void *ab initio* under state law. In this case, the Copyright Contract expressly provides for awards of attorney fees in favor of the prevailing party, and the New York deceptive business practice statute allows for an award of attorneys' fees to the prevailing party. It is quite likely that the fees of Lee's counsel will exceed \$75,000, especially if Makhnevich continues to file meritless motions at every stage of the litigation.

exceeds \$75,000. Even if there were no federal question jurisdiction, therefore, Makhnevich's Rule 12(b)(1) motion to dismiss the state-law counts should be denied.⁸

⁸ Citing *Zahn v. International Paper Co.*, 414 U.S. 291 (1973), Makhnevich argues that each class member's claim must individually satisfy the amount-in-controversy requirement. Def. Br. 14-15. This argument is contrary to the Court's directive not to contest the class claims. Hr'g Tr. 4-5, 9. It also misrepresents the authority of *Zahn*. See *Exxon Mobil Corp. v. Allapattah Servs.*, 545 U.S. 546, 556-59 (2005) (*Zahn* "overruled" by 28 U.S.C. § 1367(a)); *In re Literary Works in Elec. Databases Copyright Litig.*, 509 F.3d 116, 125 (2d Cir. 2007), *overruled on other grounds by Reed Elsevier*, 130 S. Ct. at 1248 (same); see generally *Blockbuster, Inc. v. Galeno*, 472 F.3d 53, 59 (2d Cir. 2006) ("general diversity statute . . . requires at least one claim to meet the amount-in-controversy minimum of \$75,000" (citing *Exxon*, 545 U.S. at 557-59)).

CONCLUSION

The motion to dismiss should be denied.

Respectfully submitted,

/s/ Paul Alan Levy
Paul Alan Levy
Gregory Beck

Public Citizen Litigation Group
1600 20th Street NW
Washington, D.C. 20009
(202) 588-1000 (voice)
(202) 588-7795 (facsimile)
plevy@citizen.org
gbeck@citizen.org

/s/ Bruce P. Keller
Bruce P. Keller
Jeffrey P. Cunard

DEBEVOISE & PLIMPTON LLP
919 Third Avenue
New York, New York 10022
(212) 909-6000 (voice)
(212) 909-6836 (facsimile)
bpkeller@debevoise.com
jpcunard@debevoise.com

Attorneys for Plaintiffs

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