UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

BROADSPRING, INC., Plaintiff, v. CONGOO, LLC, doing business as ADIANT and ADBLADE, ASHRAF NASHED, RAFAEL COSENTINO, Defendants.	13 Civ. 1866 (JMF)

MEMORANDUM OF LAW IN SUPPORT OF PLAINTIFF'S MOTIONS *IN LIMINE*

Respectfully submitted,

KENT, BEATTY & GORDON, LLP
Jack A. Gordon
(jag@kbg-law.com)
Joshua B. Katz
(jbk@kbg-law.com)
425 Park Avenue, The Penthouse
New York, New York 10022
(212) 421-4300

Attorneys for Plaintiff Broadspring, Inc.

TABLE OF CONTENTS

Page:

TABLE OF AUTHORITIES

Cases **Page(s)**

Statutes, Rules and Regulations

PRELIMINARY STATEMENT

Plaintiff Broadspring, Inc. ("Broadspring") respectfully submits this omnibus memorandum of law in support of its motions *in limine* pursuant to Rule 5.B.i of this Court's Individual Rules and Practices in Civil Cases.

Specifically, Broadspring seeks to exclude the following five categories of evidence that Defendants have indicated they intend to offer at trial:

1. Dozens of exhibits that consist of Internet print outs and other documents that allegedly contain negative statements about Broadspring, which Defendants intend to use to prove the truth of their own negative statements. These documents are inadmissible hearsay.
2. Certain e-mails sent by non-party software distributors to non-party Mindset Interactive, a company whose assets Broadspring acquired a decade ago. These e-mails are also inadmissible hearsay.
3. Testimony and documents pertaining to customer complaints received by an unrelated Broadspring line of business that ceased operations years ago. These documents are irrelevant or, alternatively, should be excluded under Fed. R. Evid. 403.
4. With respect to disgorgement of profit damages under the Lanham Act, any evidence of costs or deductions that Defendants did not provide during discovery, particularly since this very information was the subject of this Court's Order granting Broadspring's motion to compel. This evidence should be precluded pursuant to Fed. R. Civ. P. 37.
5. All evidence that Defendants plan to offer in support of their purported affirmative defense of unclean hands. This defense is based on the same theory as Congoo's counterclaims, and, *a fortiori*, fails as a matter of law based on the reasoning in the Court's Opinion and Order granting Broadspring's motion for summary judgment. The

evidence is therefore irrelevant or, alternatively, should be excluded under Fed. R. Evid. 403.

MOTION *IN LIMINE* NO. 1

Defendants' Hearsay Exhibits Offered to Prove the Truth of Defendants' Defamatory Statements Should be Excluded

This motion seeks to exclude, as hearsay, the following documents on Defendants' exhibit list: N, P, Q, S, U, V, Z, BO, BP, CQ, CW, CX, CY, CZ, EA, EB, EH, EO, FF, FG, FH, FI, FJ, FN, FO, FZ, GA, GB, GC, GD, GE, GF, GG, GH, GI, GJ, GL, GM, GN, GO, GP, GQ, GR, GS, GT, GU, GV, GW, GX, GY, GZ, HA, HB, HC, HD, HE, HH, HI, HJ, HK, HL, HM, HN, HO, HR, HS, HT, HV, HW, HX, IA, IC, ID, IF, IH, IJ, IK, IL, IM, IN, IO, IP, IQ, IS, IU, IW, IX, JA, and JG.

Defendants plan to use these exhibits to flood the trial with dozens of documents that are clearly inadmissible hearsay. Specifically, their exhibit list contains 74 entries that consist of web site printouts that Defendants scrounged from the Internet throughout the course of this litigation—many of them as recently as last week.[1] These printouts contain various derogatory comments about Broadspring (or, in some instances, about persons, entities or products that Defendants believe to be connected to Broadspring). In addition, another sixteen of Defendants' exhibits consist of affidavits and other papers filed in other actions, some of which mention Broadspring.[2] Defendants hope to introduce the statements in all of these documents as evidence

[1] The Internet print outs consist of Defendants' Exhibits BO, BP, EH, EO, FF to FJ, FN, FO, FZ, GA to GS, GU to GZ, HA to HE, HH, HJ to HO, HR, HS, HT, HV, HW, HX, IA, IC, ID, IF, IH, IJ to IQ, IS, IU, IW, IX, and JG.

[2] The court filings consist of Defendants' Exhibits N, P, Q, S, U, Z, CQ, CW, CX, CY, CZ, EA, EB, GT, HI, and JA.

that their defamatory statements are true. In other words, the avowed purpose of the documents is to prove the truth of the matters asserted therein. Consequently, the Court should rule them inadmissible.

An out-of-court statement offered to prove the truth of the matter asserted is inadmissible unless it falls within an exception recognized by the Federal Rules of Evidence. *See* Fed. R. Evid. 802. The proponent of the hearsay evidence "has the burden of showing that the prerequisites for its admissibility are met." *Potamkin Cadillac Corp. v. B.R.I. Coverage Corp.*, 38 F.3d 627, 632 (2d Cir. 1994).

As an initial matter, there is no way to know how many of Defendants' Internet exhibits were actually written by Rafael Cosentino using one of his many fake online identities (or written by others at Congoo). And even granting that at least some of them may were written by non-parties, it is well-settled that such documents, when offered for the truth of the matter asserted, constitute inadmissible hearsay. *See, e.g., Rosenfeld v. Hostos Cmty. College*, 2013 U.S. Dist. LEXIS 45880, *17-18 (S.D.N.Y. Mar. 29, 2013) (Furman, J.) (holding that "various Internet articles … cannot be considered as they are hearsay").

Likewise, it is equally well-settled that court filings are subject to the same restrictions on hearsay that govern all documents. *See, e.g., Richmond v. General Nutrition Ctrs., Inc.*, 2012 U.S. Dist. LEXIS 32070, *30-31 (S.D.N.Y. Mar. 9, 2012) ("court filings from other cases," "which by their nature are not subject to cross-examination," should be excluded "based on Fed. R. Evid. 801 and 802, and also based on Fed. R. Evid. 403, in that the risk of unfair prejudice and confusion from introducing documents reflecting allegations in other cases clearly outweighs the probative value of such claims."); *Gaffney v. Dep't of Info. Tech.*, 579 F. Supp. 2d 455, 459

(S.D.N.Y. 2008) ("The Court finds that the Prior Lawsuit Evidence, notwithstanding testimony necessary for establishing that each plaintiff either filed a prior lawsuit against the City alleging discrimination or that Kalembwe participated in Stewart's lawsuit by signing an affidavit, is hearsay, for the most part irrelevant to this matter and potentially confusing to the jury.").

We assume Defendants will argue that this barrage of hearsay is not being offered for the truth, but to show their basis for believing their defamatory statements were true. That attempt to circumvent the rule against hearsay should be rejected. Almost all these documents—particularly the Internet printouts—were gathered by Defendants (or their counsel) during the pendency of this action, well after Defendants began their campaign to defame Broadspring. Indeed, many of them were not even produced by Defendants until last week, despite Broadspring's multiple discovery requests asking Defendants to identify any documents that they contend they relied on to support the truth of their statements. Thus there was no reliance. *See Bufalino v. Associated Press*, 692 F.2d 266, 270 (2d Cir. 1982) (reversing judgment for media defendant in defamation case where it "did not rely upon [documents] in preparing its reports, but instead discovered them in preparation for the present litigation").

At minimum, Defendants should be required to proffer objective proof that they actually relied on any hearsay document that they seek to admit for this limited purpose. *See, e.g., Novak v. Tucows, Inc.*, 2007 U.S. Dist. LEXIS 21269, *17 (E.D.N.Y. Mar. 26, 2007) ("As Novak proffers neither testimony nor sworn statements attesting to the authenticity of the contested web page exhibits by any employee of the companies hosting the sites from which plaintiff printed the pages, such exhibits cannot be authenticated as required under the Rules of Evidence."). Moreover, in the event Defendants do seek to make such a showing, it is respectfully submitted

that the Court should permit Broadspring to conduct a forensic analysis of Defendants' computers, to verify whether any of these documents were present on the devices at the time they began defaming Broadspring.

MOTION *IN LIMINE* NO. 2

Defendants' Hearsay E-mails Regarding Software Distribution Should be Excluded

This motion seeks to exclude, as hearsay, the following documents on Defendants' exhibit list: C, G, R, T, BM, DE, DF, DG, and DH.

These exhibits consist of e-mails that were sent to Broadspring or Mindset Interactive employees by third-party software distributors with whom they once conducted business. The assertions in these e-mails are hearsay and should be excluded. *See CA, Inc. v. Simple.com, Inc.*, 780 F. Supp. 2d 196, 227 (E.D.N.Y. 2009) ("When proffering emails as evidence, parties have to contend with hearsay objections, just as they would with hand written correspondences."). First, these e-mails are not admissible under Fed. R. Evid. 801(d)(2) because they were sent to, not from, Broadspring's employees. Nor could these e-mails be admissible as business records. To qualify as a business record, a document must satisfy all five requirements of Fed. R. Evid. 803(6). *See U.S. v. Freidin*, 849 F.2d 716, 719-720 (2d Cir. 1988) (Second Circuit construes "strictly the 'regular practice' requirement of Rule 803(6)"). "[T]he business record exception is founded on the notion that such documents bear a sufficient degree of reliability 'because they are created either through systematic checking, by regularity and continuity which produce habits of precision, by actual experience of business in relying upon them, or by a duty to make an accurate record as part of a continuing job or occupation.'" *Giannone v. Deutsche Bank Sec.,*

Inc., 2005 U.S. Dist. LEXIS 36948, *9-10 (S.D.N.Y. Dec. 30, 2005) (quoting *In re WorldCom, Inc. Sec. Litig.*, 2005 U.S. Dist. LEXIS 2215, *24 (S.D.N.Y. Feb. 17, 2005) (quoting Fed. R. Evid. 803, advisory committee's note)).

Thus, the mere fact that a business regularly uses e-mail to communicate does not make such correspondence admissible under Rule 803(6). *See, e.g.*, *Morisseau v. DLA Piper*, 532 F. Supp. 2d 595, 621 n.163 (S.D.N.Y. 2008) ("An e-mail created within a business entity does not, for that reason alone, satisfy the business records exception of the hearsay rule."). Here, the e-mails plainly do not meet the requirements of Rule 803(6), and indeed, are more analogous to an extemporaneous telephone conversation than the types of records that are "created either through systematic checking, by regularity and continuity which produce habits of precision, by actual experience of business in relying upon them, or by a duty to make an accurate record as part of a continuing job or occupation." *Giannone v. Deutsche Bank Sec., Inc.*, 2005 U.S. Dist. LEXIS 36948, *9-10. Accordingly, these e-mails should be excluded.

MOTION *IN LIMINE* NO. 3

Evidence of Complaints Received by Broadspring's Unrelated and Long-Defunct Mail Order Business Should be Excluded

This motion seeks to exclude, as irrelevant, misleading and prejudicial, certain deposition testimony of Erik Sanchez designated by Defendants—namely, the testimony from 33:13 to 38:3 in the transcript.

One of the false statements at issue in this case is Cosentino's repeated refrain to publishers that Broadspring's advertising units are scams that irate consumers frequently confuse for Congoo ad units, causing Congoo to incur administrative costs and legal fees in court (all of

which are bald-faced lies, as Cosentino confirmed at deposition). In their summary judgment motion, Defendants argued that this statement was true because "Broadspring's senior business development manager, Erik Sanchez ('Sanchez'), testified that he personally has received hundreds of complaints regarding Broadspring's continuity offers." (ECF No. 100, p. 10.) But as the transcript makes clear, Sanchez was actually testifying about his tenure years ago at a long-closed fulfillment center that has nothing to do with the type of advertising units at issue in this case. This evidence is therefore irrelevant and could only serve to mislead the jury. It should be excluded under Rules 401, 402 and/or 403. *See Arlio v. Lively*, 474 F.3d 46, 53 (2d Cir. 2007) ("Even relevant evidence may be excluded 'if its probative value is substantially outweighed by the danger of unfair prejudice, confusion of the issues, or misleading the jury, or by considerations of undue delay, waste of time, or needless presentation of cumulative evidence.'") (quoting Fed. R. Evid. 403).

MOTION *IN LIMINE* NO. 4

Evidence of Costs or Deduction that Defendants Failed to Provide During Discovery Should be Excluded

This motion seeks to preclude Defendants from offering any testimony or documentary evidence in support of any "element of cost or deduction" under 15 U.S.C. § 1117(a), to the extent such testimony or documents were not previously provided in compliance with the Court's Order of August 29, 2013 (ECF No. 50). The documents sought to be excluded include Exhibits JI through KB on Defendants' exhibit list.

One available remedy under the Lanham Act is disgorgement of Congoo's profits as a result of the false advertising. "In assessing profits the plaintiff shall be required to prove

defendant's sales only; defendant must prove all elements of cost or deduction claimed." 15 U.S.C. § 1117(a). The statute thus requires defendant not only to prove any costs (*i.e.*, overhead and the like), but also any "deductions, including any portion of sales that was not due to the allegedly false advertising." *Rexall Sundown, Inc. v. Perrigo Co.*, 707 F. Supp. 2d 357, 359 (E.D.N.Y. 2010). As *Rexall* comprehensively explains, this conclusion is compelled both by the substantial body of "[c]ase law applying § 1117(a)," *id*. at 359, as well as the plain text of the statute, *see id*. at 359 ("By its plain terms then, the statute requires the plaintiff to prove 'sales only.' It does not say that it is plaintiff's burden to prove, for example, 'sales due to the false advertising' or 'sales due to the violative conduct.'"). Accordingly, it is settled that:

> Once plaintiff justifies entitlement to defendant's profits, plaintiff must establish only the amount of defendant's sales—i.e. defendant's profits in gross. It is defendant's burden to prove that any part of those sales is attributable other than to its infringing use of plaintiff's mark. Indeed, this appears to be the near-consensus view of the parties' respective burdens of apportionment under Section 35(a).

Myplaycity, Inc. v. Conduit Ltd., 2013 U.S. Dist. LEXIS 115598, *7-8 (S.D.N.Y. Aug. 12, 2013) (internal citations and quotations omitted). Broadspring's sole burden, therefore, is to prove Congoo's gross revenues for its entire online advertising business; it was and remains Congoo's burden to try to prove that any portion of those revenues is not due to its false advertising.

Accordingly, Broadspring served requests for all documents concerning any element of cost or deduction that Congoo intends to claim, and also served a Rule 30(b)(6) deposition notice requesting that Congoo designate a witness to testify about "Any element of cost or deduction that Congoo intends to claim for purposes of calculating Broadspring's damages pursuant to the Lanham Act, 15 U.S.C. § 1117(a)." (ECF No. 50.)

Defendants interposed blanket objections to all of these requests, prompting Broadspring to raise the issue with the Court. By letter dated August 23, 2013, Broadspring requested that the Court overrule Defendants' objections to the document requests, and direct Congoo to comply with the Rule 30(b)(6) notice. After receiving Defendants' letter in opposition, the Court granted Broadspring's application in its entirety on August 29, 2013, and directed the relevant documents to be produced within two weeks. (ECF No. 50 (endorsed letter granting Broadspring's application "substantially for the reasons stated herein.").)

In response to that Order, Defendants produced some financial documents, and Broadspring has no objection to those documents coming into evidence. But when the parties exchanged exhibit lists last week, Defendants produced a host of new financial documents (namely, Exhibits JI through KB), which they evidently intend to offer to prove additional elements of costs or deductions. Defendants should be precluded from offering these new documents. *See* Fed. R. Civ. P. 37(b)(2)(A). Similarly, Defendants should be precluded from offering any testimony on elements of cost or deduction beyond the very limited information their Rule 30(b)(6) designee was able to provide at deposition after being ordered to do so by the Court. *See Reilly v. NatWest Mkts. Group Inc.*, 181 F.3d 253, 269 (2d Cir. 1999) (preclusion of testimony proper where party "violated both Rule 30(b)(6) and [district judge's] order").

MOTION *IN LIMINE* NO. 5

Evidence Purportedly Relevant to Defendants' "Unclean Hands" Affirmative Defense Should be Excluded

This motion seeks to exclude any evidence that Defendants intend to offer in support of any unclean hands defense, including the following exhibits: AB through AP, AT through AX, CJ through CM, and JH.

By including the above-referenced documents on their exhibit list, Defendants have indicated that they still intend to offer evidence that was relevant only to their counterclaims. Defendants have not disclosed the purpose of any of this evidence now that the counterclaims have been dismissed, but it appears to be part of their newly-concocted effort rely on an unclean hands defense at trial. This evidence should be excluded.

Although Defendants' Answer to the Second Amended Complaint contains, among 23 affirmative defenses, a boilerplate assertion of "unclean hands" (ECF No. 172, ¶ 64), they have never mentioned this affirmative defense throughout the case, much less articulated any factual basis for it. *See Radiancy, Inc. v. Viatek Consumer Prods. Group, Inc.*, 2014 U.S. Dist. LEXIS 46024, *23-24 (S.D.N.Y. May 5, 2014) ("Pleading the words 'unclean hands' … without more is not a sufficient statement of such defense.") (ellipsis in original) (collecting cases). As noted, however, it appears that their unclean hands theory is just a re-run of the counterclaims that the Court dismissed as meritless. Those dismissed counterclaims alleged that Broadspring committed unfair competition and tortious interference with contract by telling publishers that it offered "cleaner creatives" and "higher CPM" than Congoo. According to Congoo, Broadspring's creatives were, in fact, not cleaner because some of them did not display the word

"advertising" prominently enough under Defendants' purported interpretation of the FTC's non-binding guidelines. (*See* ECF No. 163, pp. 21-22.) This Court granted Broadspring's motion for summary judgment, holding that no rational jury could find that Broadspring's conduct was either improper (as required for tortious interference) or in bad faith (as required for unfair competition). (*Id*. pp. 22-24.)

Those holdings foreclose Defendants' unclean hands defense as a matter of law. Unclean hands requires clear and convincing proof of "truly unconscionable and brazen behavior." *Pedinol Pharmacal, Inc. v. Rising Pharms., Inc.*, 570 F. Supp. 2d 498, 505 (E.D.N.Y. 2008) (quoting *Freedom Calls Foundation v. Bukstel*, 2006 U.S. Dist. LEXIS 19685 (E.D.N.Y. 2006)). If anything, this is an even more demanding standard than the improper and bad faith standards for tortious interference and unfair competition. *A fortiori*, then, Defendants cannot satisfy their burden.

Furthermore, the "unconscionable act" must be "directly related to the subject matter in litigation" and have "injured the party attempting to invoke the doctrine." *PenneCom B.V. v. Merrill Lynch & Co.*, 372 F.3d 488, 493 (2d Cir. 2004). Those requirements are not satisfied here either. In sum, Defendants' unclean hands defense is a transparent attempt to turn the trial into a sideshow about issues that have nothing to do with the merits of this case. The Court should not permit that tactic to succeed. *See, e.g., U.S. v. Blum*, 62 F.3d 63, 67 (2d Cir. 1995) ("judges are accorded 'wide latitude' in excluding evidence that poses an undue risk of 'harassment, prejudice [or] confusion of the issues' or evidence that is 'repetitive or only marginally relevant.'") (quoting *Delaware v. Van Arsdall*, 475 U.S. 673, 679 (1986)).

CONCLUSION

Broadspring respectfully requests that the Court grant the foregoing motions *in limine*, and bar Defendants from offering any of the documents or testimony described above.

Dated: New York, New York
October 10, 2014

KENT, BEATTY & GORDON, LLP

/s/ Jack A. Gordon
Jack A. Gordon
Joshua B. Katz
425 Park Avenue, The Penthouse
New York, New York 10022
(212) 421-4300
jag@kbg-law.com
jbk@kbg-law.com

Attorneys for Plaintiff
Broadspring, Inc.