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**ROCKET LAWYER INCORPORATED**

20 UNITED STATES DISTRICT COURT  
 21 CENTRAL DISTRICT OF CALIFORNIA  
 22 WESTERN DIVISION

23 LEGALZOOM.COM, INC., a Delaware  
 24 corporation,

Plaintiff,

25 v.

26 ROCKET LAWYER INCORPORATED,  
 27 a Delaware corporation,

28 Defendant.

CASE NO.: CV 12-9942-GAF (AGR<sub>x</sub>)

Hon. Gary A. Feess  
 Courtroom: 740

**[PROPOSED] FINAL PRETRIAL  
 CONFERENCE ORDER**

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**Pre-Trial Conference:**

Date: November 10, 2014  
Time: 3:30 p.m.

**Trial:**

Date: December 9, 2014  
Time: 8:30 a.m.  
Courtroom: 740

Complaint Filed: November 20, 2012

1 Following pretrial proceedings, pursuant to Fed. R. Civ. P. 16 and L.R. 16, IT  
2 IS ORDERED:

3 **1. PARTIES AND PLEADINGS**

4 The parties are:

- 5 • Plaintiff/Counter-Defendant: LEGALZOOM.COM, INC., a Delaware  
6 corporation (“LegalZoom”).
- 7 • Defendant/Counter-Claimant: ROCKET LAWYER INCORPORATED,  
8 a Delaware corporation (“Rocket Lawyer”).

9 Each of these parties has been served and has appeared. All other parties named  
10 in the pleadings and not identified in the preceding paragraph are now dismissed.

11 The pleadings which raise the issues are:

- 12 • LegalZoom’s First Amended Complaint, filed January 7, 2013.
- 13 • Rocket Lawyer’s Answer to First Amended Complaint and Amended  
14 Counterclaims, filed January 23, 2013.
- 15 • LegalZoom’s Answer to Counterclaims of Rocket Lawyer, filed  
16 February 11, 2013.

17 **2. FEDERAL JURISDICTION AND VENUE**

18 This action includes claims which arise under the laws of the United States, 15  
19 U.S.C. §1125 et seq. This Court has original jurisdiction of this action under 15  
20 U.S.C. § 1338. This Court has supplemental jurisdiction under 28 U.S.C. § 1367  
21 because the claims are so related as to form part of the same case or controversy.

22 This Court has personal jurisdiction over Parties because LegalZoom and  
23 Rocket Lawyer solicit, transact and do business in California and this District via their  
24 websites and toll-free telephone numbers, a substantial part of the wrongful acts or  
25 omissions complained of occurred in this District, and the Parties are subject to  
26 personal jurisdiction in this District. The parties purposefully directed their activities  
27 toward this District. Venue is proper in the United States District Court for the  
28 Central District of California under 28 U.S.C. §§ 1391(b) and (c).

1           **3. TRIAL TIME ESTIMATE**

2           The Parties estimate that the trial will take 6 trial days.

3           **4. JURY/NON-JURY TRIAL**

4           The trial is to be a jury trial.

5           Rocket Lawyer's position:

6           Rocket Lawyer contends that each parties' Business and Professions Code  
7 section 17200 claims are equitable in nature and should be decided by the judge rather  
8 than the jury.

9           At least seven (7) days prior to the trial date the parties shall lodge and serve by  
10 e-mail, fax, or personal delivery: (a) proposed jury instructions as required by L.R.  
11 51-1 and (b) any special questions requested to be asked on voir dire.

12           **5. ADMITTED FACTS**

13           The following facts are admitted and require no proof:

- 14           1. Rocket Lawyer and LegalZoom are competitors in the online legal solutions  
15           market, which consists of companies offering access to legal forms, subscription  
16           plans, independent attorney consultation time, and other legal solutions at  
17           affordable prices.
- 18           2. Rocket Lawyer and LegalZoom each tout the provision of affordable legal  
19           services to individuals, families and business owners.
- 20           3. LegalZoom.com has been in operation since 2000.
- 21           4. RocketLawyer.com has been in operation since fall 2008.
- 22           5. Rocket Lawyer and LegalZoom also compete with many other competitors in the  
23           legal solutions industry.
- 24           6. Both offer incorporation, business formation services, and other online legal  
25           products through their websites.
- 26           7. All persons who would like to form a business are required to pay the state fees  
27           associated with incorporation and formation.
- 28           8. There are many free trials offered in the internet marketplace, including offers

- 1 from LegalZoom, Microsoft, Amazon, Turbo Tax, Netflix, Sirius XM, and many  
2 others.
- 3 9. Rocket Lawyer and LegalZoom, like other competitors in this market, advertise  
4 their services on search engines such as Google and Bing through paid search  
5 advertising (or search engine marketing), and on their own websites.
- 6 10. Organic search results are free listings on Google or Bing that appear because of  
7 relevance to a user's search terms.
- 8 11. Google and Bing also allow businesses to engage in paid search advertising by  
9 bidding on terms—"keywords"—that users may enter into the search field.
- 10 12. If the words people type in Google match keywords bid on by a company, that  
11 company's ad can appear above or next to the search results.
- 12 13. When a user searches for "incorporation," immediately above or along the side  
13 of the organic search results are ads for businesses that have bid on that term and  
14 the organic search results follow.
- 15 14. The more a company is willing to pay for its ad to appear on a search term, the  
16 more likely that company's ad will appear.
- 17 15. The three ads that appear immediately above the organic search results are  
18 considered to be in better positions than the ads that appear to the right of the  
19 organic search results.
- 20 16. Google and Bing each allow companies to bid on the brand names of other  
21 companies in search engine marketing. For example, Starbucks can bid on the  
22 search term "Pete's Coffee" so that an ad for Starbucks could appear on a search  
23 for Pete's.
- 24 17. A "conversion" is a term used by online companies that helps them understand  
25 what consumers do after clicking on a company's ad. A conversion happens  
26 when someone clicks a company's ad and then takes an action that the company  
27 has defined as valuable to its business.
- 28 18. Google and Bing count one "click" each time someone accesses a company's

- 1 website through the company's search engine ad.
- 2 19. The "conversion rate" is the number of conversions resulting from each click,  
3 which is calculated by simply taking the number of conversions and dividing that  
4 by the number of total ad clicks during the same time period.
- 5 20. At least in 2011, 2012 and 2013, Rocket Lawyer advertised "free" incorporation  
6 and "free" limited liability companies (LLCs).
- 7 21. Rocket Lawyer has published a number of "free" advertisements, including "free  
8 help from local attorneys," "free legal review" on its website.
- 9 22. Rocket Lawyer has advertised "Zoom Charges \$99. Rocket Lawyer is Fast,  
10 Easy, & Free. Incorporate your Business Today," "Incorporate for Free...Pay  
11 No Fees (\$0)," "Incorporate Your Business at Rocket Lawyer Free," "Form Your  
12 LLC Free at Rocket Lawyer" and "Free...LLCs" on search engine results pages.
- 13 23. At least in 2012 and 2013, Rocket Lawyer advertised on its website "free" trials  
14 of its "Basic Legal Plan" and "Pro Legal Plan."
- 15 24. Travis Giggy is a former employee of LegalZoom.
- 16 25. Travis Giggy is the owner of Own Vision LLC which does business as  
17 LegalSpring.com.
- 18 26. Affiliates are third parties who agree to display links to a company's website and  
19 receive compensation for the traffic they drive to that company.
- 20 27. LegalZoom affiliates typically receive compensation in the form of a percentage  
21 of initial orders completed by consumers who accessed the company's website  
22 through the affiliate's website.
- 23 28. LegalSpring also has a star rating on a scale of 1 to 5 for LegalZoom and the  
24 other companies listed on its website.
- 25 29. A company's star rating is affected by the number of positive and negative  
26 reviews it has.
- 27 30. On Legalspring.com, consumers viewing the reviews can indicate whether they  
28 are "helpful" or not.

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**6. STIPULATED FACTS**

The following facts and issues are stipulated by the parties to be true :

- 1. All internet advertisements which are the subject of this action were caused to enter interstate commerce.
- 2. Neither side intends to pursue punitive damages in this lawsuit.
- 3. Documents produced in discovery by LegalZoom, Rocket Lawyer, and Travis Giggy are presumed to be authentic absent a showing made based on clear and convincing evidence.

**7. CLAIMS AND DEFENSES OF THE PARTIES**

**LEGALZOOM’S CLAIMS**

**A. Claims and Elements**

Plaintiff plans to pursue the following claims against Defendant:

- Claim 1: Federal False Advertising Under the Lanham Act, 15 U.S.C. § 1125(a)
- Claim 2: California False Advertising Under Cal. Bus. & Prof. Code § 17500
- Claim 3: California Unfair Competition Under Cal. Bus. & Prof. Code § 17200 *et seq.*

The elements required to establish Plaintiff’s claims are:

**Claim 1: Federal False Advertising Under the Lanham Act, 15 U.S.C. § 1125(a):**

- 1) Rocket Lawyer made a false or misleading statement of fact about its own product or another’s product in commercial advertising;
- 2) the statement actually deceived or has the tendency to deceive a substantial segment of its audience;
- 3) the deception is material, in that it is likely to influence the purchasing

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decision;

4) Rocket Lawyer caused its false or misleading statement to enter interstate commerce; and

5) LegalZoom has been or is likely to be injured as a result of the false or misleading statement, either by direct diversion of sales from itself to Rocket Lawyer or by a lessening of the goodwill associated with its products.

*Southland Sod Farms v. Stover Seed Co.*, 108 F.3d 1134, 1139 (9th Cir. 1997); *Newcal Indus., Inc. v. Ikon Office Solution*, 513 F.3d 1038, 1054 (9th Cir. 2008); 15 U.S.C. § 1125(a)(1)(B)

**Claim 2: California False Advertising Under Cal. Bus. & Prof. Code § 17500:**

- 1) Rocket Lawyer made or disseminated a statement in connection with the sale or disposition of goods or services;
- 2) Rocket Lawyer’s statement was untrue or misleading;
- 3) Rocket Lawyer either knew, or which by the exercise of reasonable care should have known, that its statement was untrue or misleading; and
- 4) Members of the target audience for the statement were likely to be deceived.

*See* California Business and Professions Code § 17500.

**Claim 3: California Unfair Competition Under Cal. Bus. & Prof. Code § 17200 *et seq.***

- 1) Rocket Lawyer engaged in a business practice that is forbidden by law; and
- 2) Rocket Lawyer committed false advertising under the federal Lanham Act or false advertising under California Business and Professions Code



1 § 17500.

2 *Gonzalez v. Proctor and Gamble Co.*, 247 F.R.D. 616, 625 (S.D. Cal. 2007); *Korea*  
3 *Supply Co. v. Lockheed Martin Corp.*, 29 Cal. 4th 1134, 1143 (2003); *CRST Van*  
4 *Expedited, Inc. v. Werner Enter., Inc.*, 479 F.3d 1099, 1107 (9th Cir. 2007).

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6 **B. Key Evidence Regarding LegalZoom’s Claims**

7 In brief, the key evidence Plaintiff relies on for each of the claims is:

8 **Claim 1: Federal False Advertising Under the Lanham Act, 15**  
9 **U.S.C. § 1125(a):**

10 1) Rocket Lawyer’s internet advertisements

- 11 • which promise “free” incorporation without disclosing within the same  
12 advertisement the need to pay state filing fees  
13 • which promise “free” trials without disclosing within the same  
14 advertisement that a credit card will be charged at the end of the trial  
15 • which promise “free” legal advice that customers were unable to get  
16 absent some form of payment

17 2) Rocket Lawyer’s internal usability studies, including:

- 18 • an internal Rocket Lawyer report showing that small business owners  
19 felt “deceived” by Rocket Lawyer’s “free” advertisements  
20 • an internal Rocket Lawyer report showing that small business owners  
21 felt Rocket Lawyer was employing a “bait and switch”  
22 • an internal Rocket Lawyer report showing that small business owners  
23 felt the advertisements were “sneaky” which “undermined their trust”  
24 • notes of study participants and comments of Rocket Lawyer employees  
25 on such notes which confirm that the advertisements were perceived by  
26 Rocket Lawyer to be false and misleading  
27 • videotapes of study participants reacting to the internet advertisements  
28 • testimony of Rocket Lawyer witnesses, including Charles Moore, and

1 Alisa Weiner, confirming that the studies were carefully constructed by  
2 Rocket Lawyer to evaluate consumer perceptions of the advertisements,  
3 and were relied upon by Rocket Lawyer in making decisions about how  
4 to run their advertisements

- 5 • Email communications between Rocket Lawyer employees regarding a  
6 Rocket Lawyer policy to disregard customer feedback and preferences  
7 because of a concerted effort by the executive team at Rocket Lawyer to  
8 minimize changes that might negatively impact revenue.

- 9 3) Rocket Lawyer's usability study performed by Google Ventures which shows  
10 that users found Rocket Lawyer's "Free" promise misleading and disappointing,  
11 which undermined the user's trust.
- 12 4) Communications between Google and Rocket Lawyer in which Google stated  
13 that Rocket Lawyer's advertisements violate Google's Offer Not Found Policy  
14 by saying: (1) Incorporate for Free, but failing to disclose state fees, and (2)  
15 saying "Free Legal Document" but failing to disclose the contingency
- 16 5) Communications in which Google threatened to discontinue running Rocket  
17 Lawyer advertisements because of the false and misleading nature of those  
18 advertisements
- 19 6) Communications between LegalZoom's co-founder, Brian Liu, and Charles  
20 Moore of Rocket Lawyer concerning the false and misleading nature of Rocket  
21 Lawyer's advertisements
- 22 7) Rocket Lawyer's admission that it changed its advertisements after this lawsuit  
23 was commenced
- 24 8) Survey and market research evidence presented by expert witnesses, Dr. Bruce  
25 Isaacson and Dr. Larry Chiagouris, which confirms that the Rocket Lawyer  
26 "free" advertisements were false and misleading to the intended audience, and  
27 that LegalZoom likely suffered a loss of market share and loss of goodwill as a  
28 result of Rocket Lawyer's "free" advertisements

1 9) Evidence in the form of spread sheets, summaries, and other documents and  
2 opinions presented by LegalZoom’s expert Dr. Alan G. Goedde, which show  
3 the number of clicks on Rocket Lawyer’s “free” advertisements, the  
4 conversions to purchase, the relative market share, the illicit profits gained by  
5 Rocket Lawyer and the damages suffered by LegalZoom

6 **Claim 2: California False Advertising Under Cal. Bus. & Prof.**  
7 **Code § 17500:**

8 Same as Claim 1 above.

9 **Claim 3: California Unfair Competition Under Cal. Bus. & Prof.**  
10 **Code § 17200 *et seq.***

11 Same as Claim 1 above.

12 **ROCKET LAWYER’S AFFIRMATIVE DEFENSES AND COUNTERCLAIMS**

13 Defendant plans to pursue the following counterclaims and affirmative  
14 defenses:

15 **Counterclaims**

- 16 • Counterclaim 1: Rocket Lawyer has not violated the Lanham Act.
- 17 • Counterclaim 2: Rocket Lawyer has not violated the FAL.
- 18 • Counterclaim 3: Rocket Lawyer has not violated the UCL.
- 19 • Counterclaim 4: LegalZoom has violated the Lanham Act, 15 U.S.C. § 1125(a).
- 20 • Counterclaim 5: LegalZoom has violated the FAL, Cal. Bus. & Prof.  
21 Code § 17500.
- 22 • Counterclaim 6: LegalZoom has violated the UCL, Cal. Bus. & Prof.  
23 Code § 17200 *et seq.*

24 **Affirmative Defenses**

- 25 • Affirmative Defense 1: LegalZoom’s claims are barred, in whole or in part, for  
26 want of equity or by the doctrine of unclean hands.  
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- 1 • Affirmative Defense 2: LegalZoom’s claims are barred, in whole or in part, by  
2 laches, waiver, and/or estoppel.
- 3 • Affirmative Defense 3: Any injury sustained by LegalZoom was caused in  
4 whole or in part by acts or omissions of persons over whom Rocket Lawyer  
5 neither exercised nor had any right of control, for whom Rocket Lawyer is and  
6 was not responsible, and whose conduct Rocket Lawyer had no duty or reason  
7 to anticipate or control.
- 8 • Affirmative Defense 4: Rocket Lawyer’s practices have not caused any  
9 likelihood of confusion; any likelihood of confusion is caused by LegalZoom.

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11 **C. Elements Regarding Rocket Lawyer’s Counterclaims**

12 **1. Elements Required to Establish Rocket Lawyer’s**  
13 **Counterclaim for Declaratory Relief that It Did Not Violate**  
14 **the Lanham Act**

- 15 (1) Rocket Lawyer did not make a false or misleading statement of fact  
16 about its own product or another’s product in commercial advertising; OR
- 17 (2) the statement did not actually deceived and has no tendency to deceive a  
18 substantial segment of its audience; OR
- 19 (3) any deception is not material, in that it is not likely to influence the  
20 purchasing decision;
- 21 (4) Rocket Lawyer did not cause a false or misleading statement to enter  
22 interstate commerce; OR
- 23 (5) LegalZoom has not been and is not likely to be injured as a result of any  
24 false or misleading statement.

25 *See Southland Sod Farms v. Stover Seed Co.*, 108 F.3d 1134, 1139 (9th Cir.  
26 1997); *Newcal Indus., Inc. v. Ikon Office Solution*, 513 F.3d 1038, 1054 (9th Cir.  
27 2008); 15 U.S.C. § 1125(a)(1)(B).

1                   2.     **Elements Required to Establish Rocket Lawyer’s**  
2                             **Counterclaim for Declaratory Relief that It Did Not Violate**  
3                             **the FAL**

3           Any statement made or disseminated by Rocket Lawyer was either:

4           (1) not made in connection with the sale or disposition of goods or services,

5           (3) not untrue or misleading, or

6           (4) was neither known, nor by the exercise of reasonable care should have been  
7 known, to be untrue or misleading.

8           *See* California Business and Professions Code § 17500.

9           LegalZoom’s Contentions Regarding Elements of Claim:

10          To establish that the statement made or disseminated was not misleading,  
11 Rocket Lawyer must demonstrate that members of the target audience for the  
12 statement were unlikely to be deceived. *Colgan v. Leatherman Tool Group, Inc.*, 38  
13 Cal. Rptr. 3d 36, 135 Cal. App. 4th 663 (Cal. App. 2006) (citing *Freeman v. Time,*  
14 *Inc.*, 68 F.3d 285, 289 (9th Cir. 1995))

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16                   3.     **Elements Required to Establish Rocket Lawyer’s**  
17                             **Counterclaim for Declaratory Relief that It Did Not Violate**  
18                             **the UCL**

19          (1)       Rocket Lawyer did not engage in a business practice that is forbidden by  
20 law.

21           *See* Cal. Bus. & Prof. Code § 17200; *Rice v. Fox Broad. Co.*, 330 F.3d 1170,  
22 1181-82 (9th Cir. 2003) (granting summary judgment to defendants on UCL claim  
23 based strictly on grant of summary judgment on Lanham Act false advertising claim).

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25                   4.     **Elements Required to Establish Rocket Lawyer’s**  
26                             **Counterclaim that LegalZoom Violated the Lanham Act**

27          (1)       LegalZoom made a false or misleading statement of fact about its own  
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1 product or another's product in commercial advertising;

2 (2) the statement actually deceived or has the tendency to deceive a  
3 substantial segment of its audience;

4 (3) the deception is material, in that it is likely to influence the purchasing  
5 decision;

6 (4) LegalZoom caused its false or misleading statement to enter interstate  
7 commerce; and

8 (5) Rocket Lawyer has been or is likely to be injured as a result of the false  
9 or misleading statement, either by direct diversion of sales from itself to LegalZoom  
10 or by a lessening of the goodwill associated with its products.

11 *Southland Sod Farms v. Stover Seed Co.*, 108 F.3d 1134, 1139 (9th Cir. 1997);  
12 *Newcal Indus., Inc. v. Ikon Office Solution*, 513 F.3d 1038, 1054 (9th Cir. 2008); 15  
13 U.S.C. § 1125(a)(1)(B).

14 LegalZoom's Contentions Regarding Elements of Claim: LegalZoom need  
15 only defeat one element of Rocket Lawyer's Lanham Act claim in order to prevail.

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17 **5. Elements Required to Establish Rocket Lawyer's**  
18 **Counterclaim that LegalZoom Violated the FAL**

19 (1) LegalZoom made or disseminated a statement,  
20 (2) in connection with the sale or disposition of goods or services,  
21 (3) which was untrue or misleading,  
22 (4) and which is known, or which by the exercise of reasonable care should  
23 be known, to be untrue or misleading.

24 *See* California Business and Professions Code § 17500.

25 LegalZoom's Contentions Regarding Elements of Claim:

26 To establish that the statement made or disseminated was misleading, Rocket  
27 Lawyer must demonstrate that members of the target audience for the statement were  
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1 likely to be deceived. *Colgan v. Leatherman Tool Group, Inc.*, 38 Cal. Rptr. 3d 36,  
2 135 Cal. App. 4th 663 (Cal. App. 2006) (citing *Freeman v. Time, Inc.*, 68 F.3d 285,  
3 289 (9th Cir. 1995)). LegalZoom need only defeat one element of Rocket Lawyer’s  
4 FAL claim in order to prevail.

5  
6 **6. Elements Required to Establish Rocket Lawyer’s**  
7 **Counterclaim That LegalZoom Violated the UCL**

8 (1) LegalZoom’s conduct with respect to LegalSpring.com was:

- 9 a. unfair;  
10 b. fraudulent; or  
11 c. unlawful based on violation of the Lanham Act or FAL.

12 Cal. Bus. & Prof. Code § 17200 *et seq.*; *Kerr Corp. v. Tri Dental, Inc.*, No.  
13 SACV 12–0891 DOC (CWx), 2013 WL 990532, at \*4 (C.D. Cal. Mar. 11, 2013)  
14 (granting default judgment for UCL claim where liability under Lanham Act shown).

15 LegalZoom’s Contentions Regarding Elements of Claim: Showing that  
16 conduct is “unfair” is not adequate to establish a violation of the UCL. See, e.g.,  
17 *CRST Van Expedited, Inc. v. Werner Enter., Inc.*, 479 F.3d 1099, 1107 (9th Cir.  
18 2007). LegalZoom need only defeat one element of Rocket Lawyer’s UCL claim in  
19 order to prevail.

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22 **7. Elements Required to Establish Rocket Lawyer’s First**  
23 **Affirmative Defense of Unclean Hands**

24 (1) LegalZoom engaged in inequitable conduct; and  
25 (2) LegalZoom’s inequitable conduct related directly to the subject matter of  
26 its claims against Rocket Lawyer.

27 BAJI § 10:3 Special Instruction 4; *Brother Records, Inc. v Jardine*, 318 F.3d  
28 900, 909 (9th Cir. 2003); *Jarrow Formulas, Inc. v. Nutrition Now, Inc.*, 304 F.3d 829,

1 841 (9th Cir. 2002); *Ellenburg v. Brockway, Inc.*, 763 F.2d 1091, 1097 (9th Cir.  
2 1985); *Pfizer, Inc. v. Int'l Rectifier Corp.*, 685 F.2d 357, 359 (9th Cir. 1982)

3  
4 **8. Elements Required to Establish Rocket Lawyer's Second**  
5 **Affirmative Defense of Laches, Waiver, and/or Estoppel**

6 **a. Laches:**

- 7 (1) LegalZoom unreasonably and inexcusably delayed in bringing suit, and  
8 (2) Either:  
9 (a) that the delay caused prejudice to Rocket Lawyer, or  
10 (b) LegalZoom acquiesced in the conduct about which it complains.

11 *Johnson v. City of Loma Linda*, 24 Cal. 4th 61, 68 (2000) (affirming finding  
12 that plaintiffs claim was barred by laches); *Conti v. Board of Civil Service Comm'rs*,  
13 1 Cal. 3d 351, 359 (1969) (“The defense of laches requires unreasonable delay plus  
14 either acquiescence in the act about which plaintiff complains or prejudice to the  
15 defendant resulting from the delay.”).

16 LegalZoom's Contentions Regarding Elements of Claim:

17 Ninth Circuit authority provides that to prevail on a laches defense, the  
18 defendant-party must prove by a preponderance of the evidence that: (1) the plaintiff-  
19 party unreasonably delayed in bringing suit; and (2) the delay caused material  
20 prejudice to the defendant-party. *Internet Specialties W., Inc. v. Milon-DiGiorgio*  
21 *Enterprises*, 559 F.3d 985, 990 (9th Cir. 2009); *Jarrow Formulas, Inc. v. Nutrition*  
22 *Now*, 304 F.3d 829, 838 (9th Cir.2002); *Trustees For Alaska Laborers-Constr. Indus.*  
23 *Health &Sec. Fund v. Ferrell*, 812 F.2d 512, 518 (9th Cir. 1987). The period of delay  
24 is measured beginning from the time that the plaintiff-party knew or should have  
25 known of the of the allegedly infringing conduct. *Danjaq LLC v. Sony Corp.*, 263  
26 F.3d 942, 952 (9th Cir. 2001). There is an exceptionally strong presumption that  
27 laches cannot be found when a case is brought within the statute of limitations or  
28



1 analogous statute of limitations. *Shouse v. Pierce County*, 559 F.2d 1142, 1147 (9th  
2 Cir. 1977). Rocket Lawyer’s reliance on California case law is misplaced, and federal  
3 law does do not support the inclusion of showing “acquiescence” by LegalZoom as an  
4 alternative to showing prejudice to Rocket Lawyer.

5 **b. Waiver**

- 6 (1) LegalZoom possessed the right to bring claims against Rocket Lawyer;  
7 (2) LegalZoom possessed actual or constructive knowledge of this right; and  
8 (3) LegalZoom either

9 (a) expressly released and discharged the right to such claims, or

10 (b) engaged in conduct so inconsistent with any intent to bring such claims

11 as to induce Rocket Lawyer’s reasonable belief that the right had been relinquished.

12 *See Gaunt v. Prudential Ins. Co. of America*, 255 Cal. App. 2d 18, 23 (1967);

13 *In re Marriage of Paboojian*, 189 Cal. App. 3d 1434, 1437 (1987); *Rubin v. Los*

14 *Angeles Federal Saving & Loan Assn.*, 159 Cal. App. 3d 292, 298 (1984).

15 LegalZoom’s Contentions Regarding Elements of Claim:

16 Waiver is the intentional relinquishment of a known right. *Groves v. Pickett*,  
17 420 F.2d 1119, 1125 (9th Cir. 1970). Rocket Lawyer must therefore demonstrate that  
18 LegalZoom intended to give up the claims. A waiver is not effective unless the party  
19 executing it is fully informed of:

- 20 1) the existence of the right being waived;  
21 2) the meaning of the waiver;  
22 3) the effect of the waiver; and  
23 4) a full understanding of the explanation of the waiver.

24 *Andrew Smith Co. v. Paul’s Pak, Inc.*, 754 F.Supp.2d 1120, 1131 (N.D. Cal. 2010).

25 The burden is on the party claiming a waiver to prove it by clear and convincing  
26 evidence. *Id.*

27 **c. Estoppel**

- 28 (1) LegalZoom knew the facts relevant to its claims;

1 (2) LegalZoom acted in such a way that Rocket Lawyer had a right to  
2 believe LegalZoom would not bring those claims;

3 (3) Rocket Lawyer did not know that LegalZoom planned to bring its  
4 claims; and

5 (4) Rocket Lawyer relied on LegalZoom's conduct to its detriment

6 *See City of Long Beach v. Mansell*, 476 P.2d 423, 443 (Cal. 1970); *Driscoll v.*  
7 *City of Los Angeles*, 431 P.2d 245, 250 (Cal. 1967).

8 **9. Elements Required to Establish Rocket Lawyer's Third**  
9 **Affirmative Defense that LegalZoom has not sustained any**  
10 **injury or incurred any loss or damages, any injury was caused**  
11 **by acts of persons over whom Rocket Lawyer has no control**

12 (1) LegalZoom has failed to demonstrate any actual injury; or

13 (2) LegalZoom has failed to demonstrate that any injury suffered resulted  
14 from Rocket Lawyer's advertisements.

15 *See Harper House, Inc. v. Thomas Nelson, Inc.*, 889 F.3d 197, 210 (9th Cir.  
16 1989) ("in a suit for damages under section 43(a), however, actual evidence of some  
17 injury resulting from the deception is an essential element of the plaintiff's case.");  
18 *see also Southland*, 108 F.3d at 1146 (reversing summary judgment granted to  
19 defendant for lack of causation and injury, allowing for possible jury finding of actual  
20 injury and causation); *Hansen Beverage Co. v. Vital Pharmaceutical, Inc.*, 2010 WL  
21 3069690, at \*6-7 (S.D. Cal. Aug. 3, 2010) (*citing Harper House, Inc. v. Thomas*  
22 *Nelson, Inc.*, 889 F.2d 197, 209 (9th Cir. 1989) ("when advertising does not directly  
23 compare defendant's and plaintiff's products, when numerous competitors participate  
24 in a market, or when the products are aimed at different market segments, injury to a  
25 particular competitor may be a small fraction of the defendant's sales, profits, or  
26 advertising expenses.")).

27 LegalZoom's Contentions Regarding Elements of Claim:

28 Rocket Lawyer's third affirmative defense is not "lack of harm," and so the

1 above elements and legal discussion appear to have no relevance to that defense. If  
2 Rocket Lawyer is now attempting to argue a lack of “harm” as a defense to  
3 LegalZoom’s false advertising claims, then LegalZoom notes that such a defense was  
4 never pled.

5 Rocket Lawyer is also mistaken about the need to prove damages. LegalZoom  
6 need not prove actual damages in order to obtain a monetary award pursuant to 15  
7 U.S.C. section 1117(a); rather, the preferred approach allows the Court to fashion  
8 relief, *including monetary*, based on the totality of the circumstances. *Southland Sod*  
9 *Farms v. Stover Seed Co.*, 108 F.3d 1134, 1146 (9th Cir. 1997).

10 “[A]lthough the Ninth Circuit in *Harper House* stated that ‘actual  
11 evidence of some injury resulting from the deception is an essential  
12 element’ in a suit for damages under § 43(a), *id.* (emphasis omitted), a  
13 more recent decision holds that ‘an inability to show actual damages  
14 does not alone preclude a recovery under section 1117.’ *Lindy Pen Co. v.*  
15 *Bic Pen Corp.*, 982 F.2d 1400, 1411 (9th Cir.1993) (quoting *Bandag,*  
16 *Inc. v. Bolser's Tire Stores*, 750 F.2d 903, 919 (Fed.Cir.1984)). Under  
17 *Lindy Pen*, the preferred approach allows the district court in its  
18 discretion to fashion relief, including monetary relief, based on the  
19 totality of the circumstances. *Id.*; *see also Badger Meter, Inc. v. Grinnell*  
20 *Corp.*, 13 F.3d 1145, 1157 (7th Cir.1994) (stating that, even if a plaintiff  
21 is unable to demonstrate damages resulting from the defendant's § 43(a)  
22 violation, § 1117 allows the district court to award the plaintiff any just  
23 monetary award so long as it constitutes ‘compensation’ for the  
24 plaintiff's losses or the defendant's unjust enrichment and is not simply a  
25 “penalty” for the defendant's conduct).”

26 *Id.*

1                                   **10. Elements Required to Establish Rocket Lawyer’s Fourth**  
2                                   **Affirmative Defense of No Likelihood of Confusion**

3                                   LegalZoom’s claims are barred, in whole or in part, because LegalZoom cannot  
4 demonstrate that (1) that any statement made by Rocket Lawyer in advertising  
5 actually deceived or has the tendency to deceive a substantial segment of its audience.

6                                   *Southland Sod Farms v. Stover Seed Co.*, 108 F.3d 1134, 1139 (9th Cir. 1997);  
7 *Newcal Indus., Inc. v. Ikon Office Solution*, 513 F.3d 1038, 1054 (9th Cir. 2008); 15  
8 U.S.C. § 1125(a)(1)(B).

9                                   **D. Elements and Key Evidence for Rocket Lawyer’s Counterclaims and**  
10                                   **Affirmative Defenses**

11                                   **1. Counterclaim 1: Rocket Lawyer has not violated the Lanham**  
12                                   **Act.**

13                                   The evidence through documents produced by the parties and testimony by fact  
14 and expert witnesses will show:

15                                   1. Rocket Lawyer and LegalZoom are competitors in the online legal  
16 services market, which consists of companies offering access to legal forms,  
17 subscription plans, independent attorney consultation time, and other legal services at  
18 affordable prices.

19                                   2. LegalZoom.com has been in operation since 2000.

20                                   3. RocketLawyer.com has been in operation since fall 2008.

21                                   4. Rocket Lawyer and LegalZoom also compete with many other  
22 competitors in the legal services industry.

23                                   5. Both offer incorporation and business formation services and other  
24 online legal products through their websites.

25                                   6. Rocket Lawyer advertises several free services online.

26                                   7. On its website, Rocket Lawyer offers affordable legal services to  
27 individuals, families and business owners.  
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8. Rocket Lawyer utilizes a “freemium” business model.

9. LegalZoom complains of four types of Rocket Lawyer’s free advertisements:

- (a) Free business formation ads (incorporations, LLCs) that were placed on search engine results;
- (b) Free trial offers made on RocketLawyer.com;
- (c) Free help from local attorneys offered on RocketLawyer.com; and
- (d) Free legal review offered on RocketLawyer.com.

10. LegalZoom admits that its complaints are not related to the purchase process.

11. The claims address consumer impressions formed at the point of reviewing an advertisement, before the point of purchase, not once the consumer has embarked on the purchase journey.

12. Freemium business models, which allows users to use a part of the service for free, but may require payment at a later point, exist in a number of different industries, including online legal services.

13. LegalZoom has also operated websites that employ a freemium business model, such as CreatingWill.com, LegalCenterPro.com and LightWaveLaw.com.

14. There are many free trials offered in the internet marketplace, including offers from LegalZoom, Microsoft, Amazon, Turbo Tax, Netflix, Sirius XM, and many others identified by respondents in the Wind Survey.

15. Rocket Lawyer has offered a free trial of its subscription plans since inception.

16. Users or visitors are consumers who have visited RocketLawyer.com and may have used some of its free services, but did not provide an email to Rocket Lawyer.

17. Rocket Lawyer “registered users” are individuals who have provided Rocket Lawyer with an email address to create an account profile.

1           18.    Over 90% of Rocket Lawyer’s registered users have not paid Rocket  
2 Lawyer for use of its services.

3           19.    Rocket Lawyer advertises free documents on search engine results, and  
4 Rocket Lawyer registered users have always been able to obtain the free document  
5 advertised by signing up for a free trial and canceling before the end of the free trial  
6 period.

7           20.    Since at least 2011, Rocket Lawyer has allowed users to download a  
8 copy of a free document without being enrolled in a free trial.

9           21.    Rocket Lawyer’s website offers numerous free produces and services  
10 such as downloadable government forms, letters, articles, etc.

11          22.    Rocket Lawyer and LegalZoom, like other competitors in this market,  
12 advertise their services on search engines such as Google and Bing through paid  
13 search advertising (or search engine marketing), and on their own websites.

14          23.    A search results page on either Google or Bing includes both paid search  
15 advertisements, which appear as the top three search results and are designated as an  
16 “AD” or “Ads,” and organic search results, which appear below the paid search  
17 results.

18          24.    Organic search results are free listings on Google or Bing that appear  
19 because of relevance to a user’s search terms.

20          25.    Google and Bing also allow businesses to engage in paid search  
21 advertising by bidding on terms—“keywords”—that users may enter into the search  
22 field.

23          26.    If the words people type in Google match keywords bid on by a  
24 company, that company’s ad can appear above or next to the search results.

25          27.    When a user searches for “incorporation,” immediately above or along  
26 the side of the organic search results are ads for businesses that have bid on that  
27 term—LegalZoom, Rocket Lawyer, LawDepot, IncforFree, etc.—and the organic  
28 search results follow.

1           28.    Google and Bing employ algorithms that determine which ads appear by  
2 taking into account amounts companies have bid on keywords and the relevance of  
3 the company to the word searched.

4           29.    The more a company is willing to pay for its ad to appear on a search  
5 term, the more likely that company's ad will appear.

6           30.    The three ads that appear immediately above the organic search results  
7 are considered to be in better positions than the ads that appear to the right of the  
8 organic search results.

9           31.    Each of the advertisements at issue in this case either contains a link to  
10 Rocket Lawyer's website or is published directly on its website.

11           32.    Google and Bing each allow companies to bid on the brand names of  
12 other companies in search engine marketing. For example, Starbucks can bid on the  
13 search term "Pete's Coffee" so that an ad for Starbucks could appear on a search for  
14 Pete's.

15           33.    Google is very concerned about the user experience.

16           34.    Google disapproves ads that violate its policies and will not allow ads  
17 that continue to violate its policies to be published.

18           35.    When Google finds a potential violation of its policies, it typically sends  
19 a policy violation notice.

20           36.    Google does not always provide written communication that a policy  
21 violation has been cleared; instead, these types of communications are often by  
22 telephone and by Google allowing the ads at issue to be published.

23           37.    An ad that continues to run on Google satisfies its policies.

24           38.    A conversion is a term used by online companies that helps them  
25 understand what consumers do after clicking on a company's ad. A conversion  
26 happens when someone clicks a company's ad and then takes an action that the  
27 company has defined as valuable to its business.

28           39.    "Conversion" as used by Rocket Lawyer has multiple meanings,

1 including when a person starts a document, reaches the end of a document interview,  
2 provides an email address to create a profile, starts a free trial, downloads a free  
3 document at the end of a document interview, purchases an individual document, or  
4 becomes a paying member either at the end of a free trial or by choosing to become a  
5 paying member after a document interview.

6 40. A “conversion” as used by Rocket Lawyer does not necessarily mean a  
7 business was formed or that a customer paid any fees to Rocket Lawyer.

8 41. Google and Bing count one “click” each time someone accesses a  
9 company’s website through the company’s search engine ad.

10 42. The “conversion rate” is the number of conversions resulting from each  
11 click, which is calculated by simply taking the number of conversions and dividing  
12 that by the number of total ad clicks during the same time period .

13 43. Rocket Lawyer has published business formation ads, which offer  
14 processing services for incorporation or forming an LLC or business entity.

15 44. Free business formation ads are ads that offer free processing for creating  
16 a company, such as “free incorporation” or “free llc.”

17 45. While a majority of Rocket Lawyer’s free business formation ads  
18 included a reference to mandatory state fees, “pay only state fees” or similar  
19 language, some did not.

20 46. Between second quarter 2009 and March 2013, approximately 18% of  
21 Rocket Lawyer’s free business formation ads did not reference state fees.

22 47. After March 2013, all of Rocket Lawyer’s free business formation ads  
23 disclosed state fees.

24 48. After March 2013, the average number of businesses formed on Rocket  
25 Lawyer remained basically unchanged.

26 49. Upon visiting Rocket Lawyer’s website, a consumer is presented with  
27 details of its services and disclosures about the terms of the free trial and the fact that  
28 state incorporation fees must be paid even though Rocket Lawyer’s processing and



1 filing incorporation services are free.

2 50. On RocketLawyer.com, consumers can also complete articles of  
3 incorporation or of an LLC, print out the completed form, and file the articles, paying  
4 state fees directly to the state—or not, as they choose—without ever paying any fees  
5 to Rocket Lawyer.

6 51. Rocket Lawyer offered two types of subscription plans—a Pro Legal  
7 Plan with access to all of Defendant’s functionality, and a Basic Legal Plan, which  
8 excludes the functionality related to forming or running a business.

9 52. Rocket Lawyer offered free trials of its Basic and Pro Legal Plans.

10 53. The free trials of both plans were for seven days at no cost, provided that  
11 the consumer cancels the plan by the end of the seventh day.

12 54. If a consumer chooses not to cancel the trial plan by the end of the  
13 seventh day, the trial converts to a paid version of the plan on the eighth day.

14 55. Rocket Lawyer’s website contains explanations of the terms of the paid  
15 plans and the free trials along the consumer journey before consumers have to make a  
16 purchasing decision.

17 56. Rocket Lawyer does not charge a fee for its services in assisting in the  
18 filing and processing of incorporation or entity formation papers for members  
19 enrolled in a free trial or paid the Pro Legal Plan.

20 57. Members enrolled in Rocket Lawyer’s free trial or paid Pro Legal Plan  
21 who require incorporation services pay only the state-mandated filing fees.

22 58. Rocket Lawyer discloses at various stages of its incorporation interview  
23 before requiring any payment information and before the purchase is complete.

24 59. LegalZoom charges at least \$99 plus state fees for incorporation or  
25 forming an LLC.

26 60. Rocket Lawyer’s service is \$0 plus state fees for free trial or paid Pro  
27 Legal Plan members.

28 61. Rocket Lawyer makes its customers click a button acknowledging that

1 they have read and agree to the terms of service before they commit to a trial period.

2       62. LegalZoom now charges at least \$149 plus state fees for business  
3 formation services.

4       63. Rocket Lawyer still offers its business formation services for \$0 plus  
5 state fees to through its free trial offer.

6       64. LegalZoom has advertised the price of its business formation services  
7 without disclosing the additional cost of state fees.

8       65. Just like Rocket Lawyer, LegalZoom business formation advertisements  
9 provide a link to its website where the mandatory state fees are disclosed.

10       66. Between November 2008 and September 2013, Rocket Lawyer  
11 published a total of 51 free trial search engine advertisements on LegalZoom  
12 keywords, that led to one click, zero conversions, and zero dollars for Rocket Lawyer.

13       67. A typical Rocket Lawyer user comes to Rocket Lawyer by first searching  
14 for a document on Google or Bing.

15       68. After clicking on a link in the ad, the user would be taken to  
16 RocketLawyer.com.

17       69. The user can then complete an interactive interview to create the  
18 searched-for document.

19       70. At the end of the interview, the user could enroll in a free trial, a monthly  
20 plan, or an annual plan.

21       71. If the user chooses the Free Trial Offer, the user would be taken to a  
22 payment processing page where the user can read the terms of the free trial, other  
23 Rocket Lawyer agreements, and insert credit card information.

24       72. Rocket Lawyer notifies customers enrolling in the free trial that their  
25 credit cards will be charged, and the amount of that charge, if they do not cancel the  
26 subscription after seven days by displaying the terms of the free trial at the top of the  
27 registration page.

28       73. The toll free phone number to cancel a free trial is at the top of every

1 registration page.

2 74. Rocket Lawyer has an FAQ section which details the different ways a  
3 customer can cancel any plan.

4 75. The fact that a customer will be charged if she fails to cancel her  
5 membership after seven days does not negate the fact that the trial period itself is  
6 unconditionally free.

7 76. Rocket Lawyer's subscription plans include access to Rocket Lawyer's  
8 On Call attorneys who can provide legal advice or live consultations, answer written  
9 questions, and/or review legal documents.

10 77. Outside of the On Call program, registered users, whether on a free trial  
11 or a paid legal plan, can contact an attorney for a free consultation.

12 78. Rocket Lawyer now allows all members access to Legal Review.

13 79. On the same screen as the Free Trial Offer at the end of a document  
14 interview, Rocket Lawyer disclosed that free document review was available  
15 immediately in the annual plan, after 90 days for the monthly plan, and not included  
16 in the free trial.

17 80. Rocket Lawyer's website also provides a link to its On Call Terms of  
18 Service which explains that registered users, including members and those enrolled in  
19 a free trial, have access to free legal help and consultations.

20 81. Rocket Lawyer does not advertise "free help from local attorneys" or  
21 "free legal review" on Google or Bing.

22 82. The Federal Trade Commission has never contacted Rocket Lawyer  
23 about its free advertisements.

24 83. Rocket Lawyer has registered [www.legalzoomer.com](http://www.legalzoomer.com) and  
25 [www.legalzoomgadget.com](http://www.legalzoomgadget.com).

26 84. Rocket Lawyer has not used these domain names as they have been and  
27 continue to be error webpages with no content.

28 85. Neither [www.legalzoomer.com](http://www.legalzoomer.com) or [www.legalzoomgadget.com](http://www.legalzoomgadget.com) leads to

1 Rocketlawyer.com.

2 86. Professor Jerry Wind conducted a survey with two experiments to test  
3 LegalZoom’s allegations relating to business formation ads and free trial ads.

4 87. In the first experiment, Professor Wind tested whether adding “pay only  
5 state fees” to Rocket Lawyer’s test ads would have had any effect on consumers’  
6 decision to choose Rocket Lawyer or LegalZoom based only on the search engine  
7 advertisement.

8 88. The test and control ads in the Wind incorporation stimuli were placed in  
9 the same place, in the same position amongst other ads that appeared in a real search  
10 for “incorporation.”

11 89. After viewing the search engine results and ads, respondents were asked  
12 which of the companies advertised did the user want to explore further.

13 90. There was no significant difference between the test and control groups  
14 with respect to their decision to choose Rocket Lawyer.

15 91. There was no significant difference between the test and control groups  
16 with respect to their decision to choose LegalZoom.

17 92. Respondents continued along the consumer journey where disclosures of  
18 state fees were made multiple times in the same positions where such disclosures  
19 were provided on RocketLawyer.com.

20 93. After continuing along the consumer journey through the point of  
21 purchase, consumers were asked whether they understood that they had to pay  
22 state fees to incorporate a business through Rocket Lawyer.

23 94. There was no significant difference between the test and control groups  
24 with respect to their understanding that they must pay state fees to incorporate with  
25 Rocket Lawyer.

26 95. In the second experiment, respondents were taken along the consumer  
27 journey for enrolling in a free trial.

28 96. After reviewing Rocket Lawyer’s free trial offer and disclosures, there

1 was significant no difference in the decisions of the test and control groups to take the  
2 free trial.

3 97. After reviewing Rocket Lawyer’s free trial offer and disclosures, there  
4 was significant no difference in the decisions of the test and control groups to  
5 continue searching for other legal services providers.

6 98. Only an average of 5.4% of respondents across both experiments and test  
7 and control groups decided to not purchase online legal services at all.

8 99. LegalZoom conduct a survey with their expert, Dr. Bruce Isaacson.

9 100. Contrary to the Court’s summary judgment order and applicable law, the  
10 Isaacson Survey did not allow respondents to view the competitor ads that any real  
11 world consumer would encounter.

12 101. The Isaacson stimuli for testing business formation only displayed a  
13 search engine ad page with Rocket Lawyer’s ad circled and all other competitors  
14 blurred out.

15 102. Respondents were not allowed to see the disclosures of state fees on  
16 RocketLawyer.com noted by the Court.

17 103. Dr. Isaacson did not test whether Rocket Lawyer diverted consumers  
18 away from LegalZoom.

19 104. Dr. Isaacson also tested Rocket Lawyer’s offer of “free help from local  
20 attorneys.”

21 105. In the free help stimuli, Dr. Isaacson only showed respondents one or  
22 two pages of Rocket Lawyer’s website.

23 106. Dr. Isaacson tested respondents’ understanding of limitations on Rocket  
24 Lawyer’s offer of “free help from local attorneys” that do not exist.

25 107. In neither the business formation or free help experiments did Dr.  
26 Isaacson take consumers to the point where they would make a decision about  
27 whether to purchase a service from Rocket Lawyer.

28 108. Dr. Isaacson did not test LegalZoom’s allegations relating to free trials or

1 free legal review.

2 109. LegalZoom has found difficulty swaying users looking for free towards a  
3 product with a price tag. According to LegalZoom’s tracking conventions, “affinity”  
4 is a numeric score assigned to websites that appear on searches for specific keywords.

5 110. The affinity score shows the relationship between two websites by seeing  
6 how many more times the audiences of the two websites are going to choose the other  
7 for specific keywords.

8 111. In comparing Rocket Lawyer and LegalZoom, LegalZoom has found  
9 that for the target audience for LegalZoom, Rocket Lawyer is ranked #6, which  
10 means that more often, those searching LegalZoom are interested in companies other  
11 than Rocket Lawyer to also explore.

12 112. LegalZoom is not even in the top 10 of sites visited from a search related  
13 to Rocket Lawyer.

14 113. Rocket Lawyer’s call volume data shows that less than 1% of its services  
15 calls involved “questions” or “complaints” about “free.”

16 114. The Better Business Bureau (BBB) only has complaints for LegalZoom  
17 going back to march 2013 because of an internal transition of the BBB Los Angeles.

18 115. Between March 2013 and August 1, 2014, LegalZoom had 133  
19 complaints on the BBB in 1 year and 4 months—8.3 complaints/month.

20 116. As of August 1, 2014, Rocket Lawyer had 181 complaints over 3 years-  
21 5 complaints/month).

22 **2. Counterclaim 2: Rocket Lawyer has not violated the FAL.**

23 *See supra* Sec.7.D.1

24 **3. Counterclaim 3: Rocket Lawyer has not violated the UCL.**

25 *See supra* Sec. 7.D.1

26 **4. Counterclaim 4: LegalZoom Violated the Lanham Act**

27 The evidence through documents produced by the parties and testimony by fact  
28 and expert witnesses will show:

- 1 1. Travis Giggy is a shareholder of LegalZoom and was a LegalZoom employee  
2 and/or consultant off and on between May 2003 and March 2013, providing  
3 services relating to coding, customer interfacing, and the affiliate program.
- 4 2. Own Vision LLC is a company owned by Travis Giggy.
- 5 3. Own Vision does business as LegalSpring.com, which is a website started by  
6 Travis Giggy in 2004 while he was still an employee of LegalZoom.
- 7 4. Travis Giggy started LegalSpring as an affiliate website to demonstrate to  
8 LegalZoom's founders and management the potential benefit of an affiliate  
9 program.
- 10 5. Affiliates are third parties who agree to display links to a company's website and  
11 receive compensation for the traffic they drive to that company.
- 12 6. Affiliates typically receive compensation in the form of a percentage of initial  
13 orders completed by consumers who accessed the company's website through  
14 the affiliate's website.
- 15 7. Affiliates may be compensated with a flat fee, but this arrangement is rare.
- 16 8. To the extent that consumers visit LegalZoom's website as a result of having first  
17 visited Legalspring.com, LegalZoom has provided compensation to  
18 Legalspring.com.
- 19 9. As LegalZoom's affiliate, LegalSpring is formatted as a review website for  
20 online legal service providers since 2004.
- 21 10. LegalZoom has been a company reviewed and listed on LegalSpring since  
22 LegalSpring's inception.
- 23 11. LegalSpring has reviews for a handful of other online legal services companies.
- 24 12. LegalSpring also has a star rating on a scale of 1 to 5 for LegalZoom and the  
25 other companies listed on its website.
- 26 13. A company's star rating is affected by the number of positive and negative  
27 reviews it has.
- 28 14. LegalSpring identifies LegalZoom as the best online legal services company.

- 1 15. LegalZoom through representatives including Brian Lee (founder), Brian Liu  
2 (co-founder, former CEO, and current Chairman), and Scott MacDonnell (former  
3 VP of Marketing), requested that negative reviews of its website be removed  
4 from LegalSpring.
- 5 16. Removal of negative reviews about LegalZoom caused its overall rating on  
6 LegalSpring to improve.
- 7 17. LegalZoom through representatives, Brian Lee (founder), Brian Liu (co-founder,  
8 former CEO, and current Chairman), and Scott MacDonnell (former VP of  
9 Marketing), provided positive reviews to Travis Giggy and requested that they be  
10 added to LegalSpring.
- 11 18. Adding positive reviews about LegalSpring caused its overall rating on  
12 LegalSpring to improve.
- 13 19. LegalZoom benefits from its reputation on LegalSpring.com as it has found that  
14 the number of negative reviews directly affects its conversion rates from  
15 LegalSpring.com.
- 16 20. The positive reviews provided by LegalZoom appear to this day on  
17 Legalspring.com, held out as consumer reviews posted on Legalspring.com.
- 18 21. LegalZoom has not produced any documents that users have provided  
19 LegalZoom with permission to post their statements.
- 20 22. Mr. Giggy modified the time stamps of these reviews with knowledge and/or  
21 approval from LegalZoom.
- 22 23. Mr. Giggy also modified the star ratings allegedly provided by users with the  
23 knowledge and/or approval from LegalZoom.
- 24 24. LegalZoom and its employees are aware of the importance of customer reviews  
25 to consumers and thus, its business.
- 26 25. Employees may have sought to conceal their manipulation of review sites by  
27 avoiding reviews from work computers.
- 28 26. On Legalspring.com, consumers viewing the reviews can indicate whether they



- 1 are “helpful” or not.
- 2 27. At least three reviews added at LegalZoom’s instruction indicate that a majority  
3 of consumers who responded found those reviews helpful. 21 of 28 people have  
4 found Matt S.’s review helpful, 17 of 21 people have found Linda H.’s review  
5 helpful, and 11 of 16 people have found Dr. Mark S.’s review helpful.
- 6 28. LegalZoom has gained conversions from LegalSpring.com further demonstrating  
7 consumers’ reliance on the reviews.
- 8 29. Many years after LegalSpring.com was created and became affiliated with  
9 LegalZoom – LegalZoom requested that Mr. Giggy add a disclaimer on  
10 LegalSpring.com explaining that affiliates of the website were allowed to alter  
11 content on the website.
- 12 30. Of the companies listed on LegalSpring.com, only LegalZoom has rebutted  
13 negative reviews.
- 14 31. For years prior to selling LegalSpring.com, Travis Giggy was no longer  
15 interested in operating LegalSpring.
- 16 32. Travis Giggy continued to respond regarding LegalSpring matters when  
17 LegalZoom would request assistance.
- 18 33. Mr. Giggy, with LegalZoom’s knowledge and consent, kept some negative  
19 reviews on LegalSpring to maintain an image of impartiality.
- 20 34. LegalZoom did not purchase LegalSpring and Travis Giggy remained owner of  
21 record to maintain LegalSpring’s third party affiliate status.
- 22 35. LegalZoom used LegalSpring in search engine marketing to ensure that  
23 consumers searching for legal services would see LegalSpring and potentially,  
24 the positive rating and reviews of LegalZoom.
- 25 36. LegalZoom controlled LegalSpring’s Google adwords account.
- 26 37. LegalZoom controlled when LegalSpring was actively bidding on searching  
27 keywords and when such activity was paused.
- 28 38. LegalZoom also paid for LegalSpring search engine advertising.

- 1 39. To avoid detection by Google, LegalZoom managed LegalSpring.
- 2 40. LegalZoom was aware that using LegalZoom, LegalSpring, and LegalCenterPro
- 3 to bid on keywords at the same time would cause other competitors to have to
- 4 spend more money on search engine marketing.
- 5 41. LegalZoom used LegalZoom, LegalSpring, and LegalCenterPro to bid on the
- 6 same keywords to keep Rocket Lawyer from appearing in the top three spots for
- 7 search engine marketing.
- 8 42. Google has investigated whether LegalZoom had violated its “double serving”
- 9 policy by using these companies to bid on the same keywords in search engine
- 10 marketing.
- 11 43. When Travis Giggy sold LegalSpring to a third party in March 2013, Travis
- 12 Giggy explained to the buyer that the principals of LegalZoom are his friends
- 13 and that he wanted them to continue to be taken care of even after the sale.
- 14 44. LegalZoom’s review and star rating remains on LegalSpring.com to this day.

15 **5. Counterclaim 5: LegalZoom Violated the FAL**

16 *See supra* Sec. 7.D.4.

17 **6. Counterclaim 6: LegalZoom Violated the UCL**

18 *See supra* Sec. 7.D.4.

19 **7. Affirmative Defense 1: LegalZoom’s claims are barred, in**

20 **whole or in part, for want of equity or by the doctrine of**

21 **unclean hands.**

22 The evidence through documents produced by the parties and testimony by fact

23 and expert witnesses will show that LegalZoom has disclosed its pricing without

24 disclosing state fees and has offered a free trial that consumers have complained was

25 misleading. Regarding the free trial, LegalZoom also requires that consumers provide

26 a credit card in order to access the free trial. Indeed, users’ access to the free trial

27 offer is contingent on prior provision of a credit card to make a different purchase.

28 **8. Affirmative Defense 2: LegalZoom’s claims are barred, in**

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**whole or in part, by laches, waiver, and/or estoppel.**

The evidence through documents produced by the parties and testimony by fact and expert witnesses will show:

1. LegalZoom has delayed in bringing the lawsuit.
2. LegalZoom was aware that Rocket Lawyer was still advertising the allegedly offending ads, even after LegalZoom complained to Google.
3. LegalZoom was aware that if Google allows ads to be published, they are not in violation of Google’s policies.

1. **Affirmative Defense 3: LegalZoom has not sustained any injury or incurred any loss or damages, any injury was caused by acts of persons over whom Rocket Lawyer has no control**

The evidence through documents produced by the parties and testimony by fact and expert witnesses will show:

1. Rocket Lawyer’s advertisements did not have a significant effect on consumers’ perceptions or understanding of the ads at issues;
2. The performance of Rocket Lawyer’s search engine advertisements at issue demonstrate that disclosing plus state fees improved ad performance.
3. LegalZoom has not been harmed by Rocket Lawyer’s ads
4. LegalZom believes that it does not compete for the same market as Rocket Lawyer.
5. There are many competitors in the online legal services market.
6. LegalZoom has delayed in bringing the lawsuit.
7. LegalZoom was aware that Rocket Lawyer was still advertising the allegedly offending ads, even after LegalZoom complained to Google.
8. LegalZoom was aware that if Google allows ads to be published, they are not in violation of Google’s policies.
9. LegalZoom’s practices, such as operating three other companies in the online

1 legal services market, that cause its own loss of profits or increase in  
2 advertising costs.

3 **2. Affirmative Defense 4: Rocket Lawyer’s practices have not**  
4 **caused any likelihood of confusion; any likelihood of confusion**  
5 **is caused by LegalZoom.**

6 *See supra* Sec. 7.D.10.

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8 **LEGALZOOM’S AFFIRMATIVE DEFENSES TO COUNTERCLAIMS**

9 **A. Affirmative Defenses and Elements**

10 Plaintiff/Counter-defendant plans to pursue the following affirmative defenses:

11 **Second Affirmative Defense: Unclean Hands**

- 12 1) LegalZoom acted fairly in the matter for which it seeks a remedy.  
13 2) Rocket Lawyer engaged in inequitable conduct related to the subject matter of  
14 its claims that violates conscience or good faith.

15 *Kendall-Jackson Winery, Ltd. v. Superior Court*, 76 Cal. App. 4th 970, 978, 90 Cal.  
16 Rptr. 2d 743 (1999); *Fibreboard Paper Prods. Corp. v. East Bay Union of*  
17 *Machinists*, 227 Cal. App. 2d 675, 728 (1964).

18 **Seventh Affirmative Defense: No Agency**

19 Any injury allegedly sustained by Rocket Lawyer was caused by acts or  
20 omissions of persons over whom LegalZoom neither exercised nor had any right of  
21 control, for whom LegalZoom is and was not responsible, and whose conduct  
22 LegalZoom had no duty or reason to control. Specifically, Legalspring.com’s  
23 registrant and manager, Travis Giggy, is not, and was not at the times alleged in the  
24 counterclaim, LegalZoom’s agent.

25 **B. Key Evidence Regarding LegalZoom’s Affirmative Defenses**

26 In brief, the key evidence Plaintiff/Counter-defendant relies on for each  
27 affirmative defense is:

28 **Second Affirmative Defense: Unclean Hands**

- 1) Same as Claim 1 above.
- 2) There is no evidence that LegalZoom violated the Lanham Act by posting false or misleading internet advertisements.

Seventh Affirmative Defense: No Agency

- 1) Testimony of Travis Giggy and supporting documents
- 2) Testimony of Scott MacDonell and supporting documents
- 3) Testimony of Dorian Quispe and supporting documents
- 4) Contract between LegalZoom and Own Vision LLC

**8. ISSUES REMAINING FOR TRIAL**

In view of the admitted facts and the elements required to establish the claims, counterclaims and affirmative defenses, the following issues remain to be tried:

**LEGALZOOM CLAIMS AND DEFENSES**

**LEGALZOOM’S CLAIM 1:**

- Whether Rocket Lawyer engaged in false or misleading advertising under the Lanham Act, 15 U.S.C. § 1125(a):
  - Whether the Rocket Lawyer advertisements were literally false
  - Whether the Rocket Lawyer advertisements were deceptive or misleading to the target audience
  - Whether Rocket Lawyer intended to run false or deceptive advertisements
  - Whether the deception caused by Rocket Lawyer’s advertisements was likely to influence the purchasing decision of users who viewed the advertisements
- Whether LegalZoom has been or was likely to be injured as a result of the false or misleading advertisements run by Rocket Lawyer
- Whether LegalZoom has been or is likely to be injured as a result of the

1 Rocket Lawyer “free” advertisements, either by direct diversion of sales  
2 or by a lessening of goodwill

- 3 • The amount of damages LegalZoom is entitled to recover
- 4 • Whether LegalZoom is entitled to injunctive relief and the form of any  
5 injunctive relief
- 6 • The amount of attorneys’ fees to be awarded to LegalZoom pursuant to  
7 15 U.S.C. section 1117(a)

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9 Rocket Lawyer contends the following additional issues remain:

- 10 • Rocket Lawyer contends that this claim is limited to the four categories  
11 of advertisements alleged by LegalZoom and not all ads that may  
12 reference free. These four categories are:
  - 13 ○ Free Business Formation Ads: Advertising free business entity  
14 formation on search engines results (“Free incorporation” or “Free  
15 LLC”) with state fee disclosures made multiple times on  
16 RocketLawyer.com before the point of purchase;
  - 17 ○ Free Trial Offers: Advertising a free trial on RocketLawyer.com  
18 without adequately disclosing the terms of the free trial
  - 19 ○ Free Help Ads: advertising “free help from local attorneys” on  
20 RocketLawyer.com; and
  - 21 ○ Free Legal Review Ads: advertising “free legal review” on  
22 RocketLawyer.com (collectively, the “RLI Free Ads”).
- 23 • Whether this claim is barred by Rocket Lawyer’s affirmative defenses.
- 24 • The amount of attorneys’ fees to be awarded to LegalZoom pursuant to  
25 15 U.S.C. section 1117(a).

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27 **LEGALZOOM’s CLAIM 2:**

- 28 • Whether Rocket Lawyer violated California Business and Professions

1 Code section 17500:

- 2 ○ Whether Rocket Lawyer made an untrue or misleading statement
- 3 in connection with the sale or disposition of goods or services
- 4 ○ Whether Rocket Lawyer either knew or in the exercise of
- 5 reasonable care should have known that its statement was untrue
- 6 or misleading
- 7 ○ Whether members of the target audience for the statement were
- 8 likely to be deceived
- 9 ● The amount of restitution LegalZoom is entitled to recover
- 10 ● Whether LegalZoom is entitled to injunctive relief and the form of any
- 11 injunctive relief
- 12 ● The amount of attorneys' fees to be awarded to LegalZoom pursuant to
- 13 California Code of Civil Procedure section 1021.5

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15 Rocket Lawyer contends the following additional issues remain:

- 16 ● Rocket Lawyer contends that this claim is limited to the four categories
- 17 of advertisements alleged by LegalZoom and not all ads that may
- 18 reference free. These four categories are:
  - 19 ○ Free Business Formation Ads: Advertising free business entity
  - 20 formation on search engines results (“Free incorporation” or “Free
  - 21 LLC”) with state fee disclosures made multiple times on
  - 22 RocketLawyer.com before the point of purchase;
  - 23 ○ Free Trial Offers: Advertising a free trial on RocketLawyer.com
  - 24 without adequately disclosing the terms of the free trial
  - 25 ○ Free Help Ads: advertising “free help from local attorneys” on
  - 26 RocketLawyer.com; and
  - 27 ○ Free Legal Review Ads: advertising “free legal review” on
  - 28 RocketLawyer.com (collectively, the “RLI Free Ads”).

- 1 • Whether this claim is barred by Rocket Lawyer’s affirmative defenses.
- 2 • Whether attorneys’ fees should be awarded under California Code of
- 3 Civil Procedure section 1021.

4 **LEGALZOOM’s CLAIM 3:**

- 5 • Whether Rocket Lawyer engaged in a business practice that is forbidden
- 6 by law:
  - 7 ○ Whether violated the Lanham Act
  - 8 ○ Whether Rocket Lawyer violated California Business and
  - 9 Professions Code section 17500
- 10 • The amount of restitution LegalZoom is entitled to recover
- 11 • Whether LegalZoom is entitled to injunctive relief and the form of any
- 12 injunctive relief
- 13 • The amount of attorneys’ fees to be awarded to LegalZoom pursuant to
- 14 California Code of Civil Procedure section 1021.5

15

16 Rocket Lawyer contends the following additional issues remain:

- 17 • Rocket Lawyer contends that this claim is limited to the four categories
- 18 of advertisements alleged by LegalZoom and not all ads that may
- 19 reference free. These four categories are:
  - 20 ○ Free Business Formation Ads: Advertising free business entity
  - 21 formation on search engines results (“Free incorporation” or “Free
  - 22 LLC”) with state fee disclosures made multiple times on
  - 23 RocketLawyer.com before the point of purchase;
  - 24 ○ Free Trial Offers: Advertising a free trial on RocketLawyer.com
  - 25 without adequately disclosing the terms of the free trial
  - 26 ○ Free Help Ads: advertising “free help from local attorneys” on
  - 27 RocketLawyer.com; and
  - 28 ○ Free Legal Review Ads: advertising “free legal review” on



1 RocketLawyer.com (collectively, the “RLI Free Ads”).

- 2
- Whether this claim is barred by Rocket Lawyer’s affirmative defenses.
  - Whether attorneys’ fees should be awarded under California Code of
- 3 Civil Procedure section 1021.
- 4

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6 **LEGALZOOM’s FIRST AFFIRMATIVE DEFENSE: Unclean Hands**

- Whether Rocket Lawyer engaged in inequitable conduct which relates to
- 7 the subject matter of Rocket Lawyer’s claims against LegalZoom.
- Whether such conduct, if it occurred, was sufficiently egregious (i.e.,
- 8 willful, in bad faith, or grossly negligent)
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12 Rocket Lawyer contends the following additional issues remain:

- Whether the alleged inequitable conduct was *directly* related to the
- 13 subject of Rocket Lawyer’s claims against LegalZoom.
- 14

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16 **LEGALZOOM’s SECOND AFFIRMATIVE DEFENSE: No Agency**

- Whether Travis Giggy, who was the registrant and manager of
- 17 Legalspring.com, acted as LegalZoom's agent in connection with his
- 18 operation of Legalspring.com.
- 19

20

21 Rocket Lawyer contends the following additional issues remain:

- Whether LegalZoom had direct control over LegalSpring.
  - Whether LegalZoom had direct control over LegalSpring’s search engine
- 22 marketing.
- Whether Travis Giggy, registrant and moderator of LegalSpring.com,
- 23 and employee and/or consultant of LegalZoom, acted as LegalZoom’s
- 24 agent in executing LegalZoom’s directives with respect to the operation
- 25 of LegalSpring.com, including, but not limited to, the revision of content
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1 of LegalSpring.com, and the search engine marketing of  
2 LegalSpring.com.

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4 **ROCKET LAWYER CLAIMS AND DEFENSES**

5 **ROCKET LAWYER'S COUNTERCLAIM 1:**

- 6 • Same as LegalZoom's Claim 1, except that Rocket Lawyer need only  
7 disprove one element of LegalZoom's Lanham Act claim to prevail.

8 **ROCKET LAWYER'S COUNTERCLAIM 2**

- 9 • Same as LegalZoom's Claim 2, except that Rocket Lawyer need only  
10 disprove one element of LegalZoom's FAL claim to prevail.

11 **ROCKET LAWYER'S COUNTERCLAIM 3**

- 12 • Same as LegalZoom's Claim 3, except that Rocket Lawyer need only  
13 disprove one element of LegalZoom's UCL claim to prevail.

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15 **ROCKET LAWYER'S COUNTERCLAIM 4:**

- 16 • Whether LegalZoom engaged in false or misleading advertising under  
17 the Lanham Act, 15 U.S.C. § 1125(a):
- 18 ○ Whether the LegalZoom advertisements were literally false
  - 19 ○ Whether the LegalZoom advertisements were deceptive or  
20 misleading to the target audience
  - 21 ○ Whether LegalZoom intended to run false or deceptive  
22 advertisements
  - 23 ○ Whether the deception caused by LegalZoom advertisements was  
24 likely to influence the purchasing decision of users who viewed  
25 the advertisements OR
- 26 • In the alternative, whether LegalZoom knowingly participated in the  
27 creation, development and propagation of the false advertising campaign.
- 28 • Whether Rocket Lawyer has been or was likely to be injured as a result

1 of the false or misleading advertisements run by Rocket Lawyer

- 2 • The amount of damages Rocket Lawyer is entitled to recover
- 3 • Whether Rocket Lawyer is entitled to injunctive relief and the form of
- 4 any injunctive relief
- 5 • The amount of attorneys' fees to be awarded to Rocket Lawyer pursuant
- 6 to 15 U.S.C. section 1117(a)

7  
8 LEGALZOOM contends the following additional issues remain:

- 9 • Rocket Lawyer's Counterclaim 4 is limited to statements made at
- 10 Legalspring.com, and the above listed issues about "LegalZoom
- 11 advertisements" should be limited to such statements.
- 12 • Whether the subject advertisements contain any false statement of fact
- 13 about a product which damaged Rocket Lawyer
- 14 • Whether Rocket Lawyer may proceed with this Counterclaim 4 in the
- 15 absence of market research or survey evidence showing that consumers
- 16 were either deceived or misled by statements made at Legalspring.com

17 **ROCKET LAWYER'S COUNTERCLAIM 5**

- 18 • Whether LegalZoom violated California Business and Professions Code
- 19 section 17500:
  - 20 ○ Whether LegalZoom made an untrue or misleading statement in
  - 21 connection with the sale or disposition of goods or services
  - 22 ○ Whether LegalZoom either knew or in the exercise of reasonable
  - 23 care should have known that its statement was untrue or
  - 24 misleading
  - 25 ○ Whether members of the target audience for the statement were
  - 26 likely to be deceived; OR
- 27 • Whether LegalZoom had direct control over LegalZoom's search engine
- 28 marketing, specifically, Google Adwords; OR

- 1 • Whether Travis Giggy, registrant and moderator of LegalSpring.com,  
2 and employee and/or consultant of LegalZoom, acted as LegalZoom’s  
3 agent in executing LegalZoom’s requests with respect to the operation of  
4 LegalSpring.com, including, but not limited to, the revision of content of  
5 LegalSpring.com, and the search engine marketing of LegalSpring.com;
- 6 • The amount of restitution Rocket Lawyer is entitled to recover
- 7 • Whether Rocket Lawyer is entitled to injunctive relief and the form of  
8 any injunctive relief
- 9 • The amount of attorneys’ fees to be awarded to Rocket Lawyer pursuant  
10 to California Code of Civil Procedure section 1021.5

11 LEGALZOOM contends the following additional issues remain:

- 12 • Rocket Lawyer’s Counterclaim 5 is limited to statements made at  
13 Legalspring.com, and the above listed issues about “LegalZoom  
14 advertisements” should be limited to such statements.
- 15 • Whether the subject advertisements contain any false statement of fact  
16 about a product which damaged Rocket Lawyer
- 17 • Whether Rocket Lawyer may proceed with this Counterclaim 4 in the  
18 absence of market research or survey evidence showing that consumers  
19 were either deceived or misled by statements made at Legalspring.com

20 **ROCKET LAWYER’S COUNTERCLAIM 6**

- 21 • Whether LegalZoom engaged in a business practice that is either  
22 unlawful, unfair, or fraudulent, including:
  - 23 ○ Whether violated the Lanham Act; or
  - 24 ○ Whether Rocket Lawyer violated California Business and  
25 Professions Code section 17500.
- 26 • The amount of restitution Rocket Lawyer is entitled to recover
- 27 • Whether Rocket Lawyer is entitled to injunctive relief and the form of  
28 any injunctive relief

- 1           • The amount of attorneys’ fees to be awarded to Rocket Lawyer pursuant  
2           to California Code of Civil Procedure section 1021.5

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4       LEGALZOOM contends the following additional issues remain:

- 5           • Rocket Lawyer’s Counterclaim 6 is limited to statements made at  
6           Legalspring.com, and the above listed issues about “LegalZoom  
7           advertisements” should be limited to such statements.  
8           • Whether the subject advertisements contain any false statement of fact  
9           about a product which damaged Rocket Lawyer  
10          • Whether Rocket Lawyer may proceed with this Counterclaim 6 in the  
11          absence of market research or survey evidence showing that consumers  
12          were either deceived or misled by statements made at Legalspring.com

13  
14       **ROCKET LAWYER’S FIRST AFFIRMATIVE DEFENSE (Unclean**

15       **Hands):**

- 16           • Whether LegalZoom has engaged in inequitable conduct  
17           • Whether LegalZoom’s inequitable conduct relates directly to the subject  
18           matter of its claims against Rocket Lawyer

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21       **ROCKET LAWYER’S SECOND AFFIRMATIVE DEFENSE (Laches,**

22       **Waiver, and/or Estoppel):**

- 23           • Whether LegalZoom’s claims are barred by laches:  
24           ○ Whether LegalZoom unreasonably delayed in bringing suit  
25           ○ Whether LegalZoom’s delay prejudiced Rocket Lawyer  
26           ○ Whether LegalZoom has acquiesced in the conduct about which it  
27           complains  
28           • Whether LegalZoom waived its claims:

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- Whether LegalZoom possessed the right to bring its claims against Rocket Lawyer
- Whether LegalZoom possessed actual or constructive knowledge of its right to bring its claims against Rocket Lawyer
- Whether LegalZoom expressly released and discharged the right to such claims, or engaged in conduct so inconsistent with any intent to bring such claims as to induce Rocket Lawyer’s reasonable belief that the right had been relinquished.
- Whether LegalZoom is estopped from bringing its claims:
  - Whether LegalZoom knew the facts relevant to its claims;
  - Whether LegalZoom acted in such a way that Rocket Lawyer had a right to believe LegalZoom would not bring those claims;
  - Whether Rocket Lawyer did not know that LegalZoom planned to bring its claims; and
  - Whether Rocket Lawyer relied on LegalZoom’s conduct to its detriment

LEGALZOOM contends the following additional issues remain:

- Whether any delay in filing suit caused “material” prejudice to Rocket Lawyer
- LegalZoom does not agree that “acquiescence” is an issue for trial on this defense

**ROCKET LAWYER’S THIRD AFFIRMATIVE DEFENSE (No Harm):**

- Whether LegalZoom has failed to demonstrate any actual injury
- Whether LegalZoom has failed to demonstrate that any injury suffered resulted from Rocket Lawyer’s advertisements

LEGALZOOM contends the following additional issues remain:

- 1 • LegalZoom objects that these elements do not apply to the affirmative
- 2 defense which was actually pled by Rocket Lawyer
- 3 • As to a defense based on “lack of harm,” the district court may award
- 4 LegalZoom any just monetary award so long as it constitutes
- 5 compensation for LegalZoom’s losses or Rocket Lawyer’s unjust
- 6 enrichment. 15 U.S.C. § 1117(a).

7

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9 **ROCKET LAWYER’S FOURTH AFFIRMATIVE DEFENSE (No**

10 **Likelihood of Confusion):**

- 11 • Whether LegalZoom has failed to demonstrate that any of Rocket
- 12 Lawyer’s advertisements at issue had a tendency to deceive a significant
- 13 segment of the intended audience

14

15 **9. STIPULATIONS ON CLAIMS AND ISSUES**

16 The parties have agreed that the following issues are no longer before the court:

- 17 • Any request for “damages” based on California Business and Professions Code
- 18 §17200;
- 19 • Each party’s request for punitive damages
- 20 • LegalZoom’s Affirmative Defense No. 1, 3-5.
- 21 • Rocket Lawyer’s Affirmative Defenses of:
  - 22 ○ Failure to State a Claim;
  - 23 ○ Punitive Damages Unavailable;
  - 24 ○ Damages Unavailable for FAL Claim; and
  - 25 ○ Lack of Standing)

26 The Parties have also agreed that Rocket Lawyer’s expert, Professor Jerry

27 Wind, is only available to testify on December 15, 2014 under the current schedule.

28 LegalZoom’s expert, Dr. Bruce Isaacson, is also only available to testify December

1 15 or 16. Alisa Weiner is also only available to testify on December 12, 2014.

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3 **10. STATUS OF DISCOVERY**

4 LegalZoom's Position:

5 LegalZoom contends that Rocket Lawyer unfairly delayed in producing key  
6 documents and also has continued to withhold from production other key documents  
7 previously requested by LegalZoom in discovery. For example, Rocket Lawyer has  
8 only produced three of six usability studies conducted by Dr. Elizabeth Ferguson and  
9 has withheld from discovery certain key documents, including videotapes, which  
10 Rocket Lawyer had previously agreed to produce and which evidence Rocket  
11 Lawyer's intention to engage in false advertising. LegalZoom contends that the  
12 withholding of these documents has compromised LegalZoom's ability to notice and  
13 take all appropriate depositions and to prepare fully and fairly for trial.

14 Rocket Lawyer's Position:

15 Rocket Lawyer disagrees with the contention that it has improperly withheld  
16 documents. At the outset of this matter, the parties negotiated search terms and  
17 custodians to search to be applied to their documents in preparation for review and  
18 production. Rocket Lawyer adopted nearly all of LegalZoom's search terms in  
19 addition to those it proposed, thus applying approximately 70 search terms. Rocket  
20 Lawyer applied the search terms to documents collected from the agreed to  
21 custodians, and reviewed documents that were responsive to LegalZoom's requests  
22 for productions subject to Rocket Lawyer's objections. Over the course of this  
23 litigation, Rocket Lawyer has produced over 38,000 documents including data pulls  
24 relating to the its search engine advertisements.

25 LegalZoom, on the other hand, has, among other discovery abuses:

- 26
- 27 • Produced approximately 2,100 documents and has refused to produce data  
relating to its advertisements;
  - 28 • It has refused to search for and produce documents relating to its business



1 formation and free advertisements, despite Rocket Lawyer's unclean hands  
2 defense;

- 3 • It has refused to produce documents relied upon by its experts;
- 4 • Revealed that it may not have issued a litigation hold or taken steps to  
5 preserve documents;
- 6 • Refused to produce documents identified at the depositions of its witnesses;  
7 and
- 8 • Violated the protective order by publicly disclosing Rocket Lawyer's  
9 confidential, proprietary information.

10 At this stage, discovery is complete except that Rocket Lawyer intends to rebut  
11 the damages opinion disclosed on October 6, 2014, and provide a damages opinion  
12 for its counterclaims based on evidence revealed for the first time at the depositions of  
13 LegalZoom's witnesses that were held between October 3 and 9, 2014. Rocket  
14 Lawyer intends to disclose this rebuttal report and its position on damages on or  
15 before November 5, 2014, thirty days after it received LegalZoom's new damages  
16 opinion and less than thirty days after it obtained information necessary to its  
17 damages calculation that was withheld by LegalZoom. LegalZoom also served an  
18 untimely supplemental expert report from their expert Bruce Isaacson on October 27,  
19 2014. Rocket Lawyer reserves the right to serve a rebuttal to this report if necessary.

#### 20 **11. EXHIBIT LISTS**

21 All disclosures under Fed. R. Civ. P. 26(a)(3) have been made.

22 The joint exhibit list of the parties has been filed under separate cover as  
23 required by L.R. 16-6.1. The Pre-trial Exhibit Stipulation has been filed under  
24 separate cover as required by Paragraph 13 of the Court's Scheduling Order, dated  
25 March 8, 2013. Unless all parties agree that an exhibit shall be withdrawn, all  
26 exhibits will be admitted without objection at trial, except those exhibits to which a  
27 party has lodged objections, as provided in the exhibit list filed pursuant to L.R. 16-  
28 6.1 and attached hereto as Exhibit A.

1           **12. WITNESS LISTS**

2           Witness lists of the parties have been filed with the Court.

3           Only the witnesses identified in the lists will be permitted to testify (other than  
4 solely for impeachment ).

5           Each party intending to present evidence by way of deposition testimony will  
6 be marked such depositions in accordance with L.R. 16-2.7. For this purpose, the  
7 following depositions will be lodged with the Clerk as required by L.R. 32-1:

- 8           • All witnesses are currently expected to appear for trial.

9           In the event that a witness that is currently available becomes unavailable, the  
10 parties agree that notice of unavailability shall be provided in a sworn writing as soon  
11 as possible, but no later than 9:00 a.m. two business days before the start of trial or, if  
12 the witness becomes unavailable after the start of trial, by 9:00 a.m. two business days  
13 before the day the witness is supposed to testify.

14           **13. PENDING MOTIONS**

15           The following law and motion matters and motions in limine, and no others, are  
16 pending or contemplated:

17           As of October 28, 2014, the Court’s decision on the parties’ respective motions  
18 for summary judgment and partial summary judgment remains pending.

19           LegalZoom will file motions in limine to exclude/preclude:

- 20           1. Rocket Lawyer from calling witnesses to testify at trial and/or documents  
21 that were not disclosed pursuant to FRCP 26.
- 22           2. Rocket Lawyer from using documents and/or testimony to impeach the  
23 usability studies that Rocket Lawyer commissioned from Dr. Ferguson and Google  
24 Ventures.
- 25           3. Rocket lawyer from producing evidence of any damages based on the  
26 Legalspring.com website and Rocket Lawyer’s claims about that web site.
- 27           4. Rocket Lawyer from producing any market research or survey evidence  
28 showing that any consumers were deceived or misled by the Legalspring.com

1 website, other than evidence of statements made at the website itself.

2 5. Daubert motion to exclude Dr. Wind's expert opinions.

3  
4 Rocket Lawyer intends to file the following motions in limine:

5 1. A motion for evidentiary sanctions based on LegalZoom's discovery  
6 abuse, requesting an adverse inference, issue preclusion, precluding LegalZoom from  
7 introducing evidence relating to topics to which it refused to produce evidence, and  
8 any other relief deemed appropriate by the Court.

9 2. Daubert motions to exclude LegalZoom's expert witnesses.

10 3. Motion to exclude usability studies as inadmissible hearsay and because  
11 their probative value is outweighed by their prejudicial effect.

12 4. Motion to limit LegalZoom's damages evidence and testimony.

13 5. Motion to exclude witnesses not disclosed pursuant to Rule 26.

14  
15 **14. BIFURCATED ISSUES**

16 Not applicable.

17 **15. CONFIDENTIALITY**

18 Rocket Lawyer requests, during testimony relating to the usability studies, a  
19 closed courtroom and that LegalZoom's representative and witnesses be excluded.

20 LegalZoom's Position: LegalZoom opposes this request. The public has an  
21 interest in seeing these documents, and they are not privileged. The only basis for  
22 excluding them is to hide from the public the fact that Rocket Lawyer has knowingly  
23 engaged in a pattern and practice of false and deceptive advertising. Bad facts do not  
24 justify excluding the public from being able to view those bad facts.

25 **16. CONCLUSION**

26 The foregoing admissions having been made by the parties, and the parties  
27 having specified the foregoing issues remaining to be litigated, this Final Pretrial  
28 Conference Order shall supersede the pleadings and govern the course of the trial of

1 this cause, unless modified to prevent manifest injustice.

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3 Dated: November \_\_, 2014

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UNITED STATES DISTRICT JUDGE

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8 Approved as to form:

9

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11 DATED: October 28, 2014

GLASER WEIL FINK HOWARD AVCHEN &  
SHAPIRO LLP

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By: /s/ Fred D. Heather

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PATRICIA GLASER

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AARON ALLAN

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Attorneys for Plaintiff

17 DATED: October 28, 2014

LEGALZOOM.COM, INC.

GOODWIN PROCTER LLP

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