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20 *ROCKET LAWYER INCORPORATED*

21 **UNITED STATES DISTRICT COURT  
CENTRAL DISTRICT OF CALIFORNIA  
WESTERN DIVISION**

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

24 Plaintiff,

25 v.

26 **ROCKET LAWYER  
INCORPORATED**, a Delaware  
27 corporation,

28 Defendant.

Case No. 2:12-cv-09942-GAF-AGR

**DISPUTED JURY INSTRUCTIONS**

PTC: November 10, 2014  
1:30 p.m.

Trial: December 9, 2014

Judge: Judge Gary A. Feess  
Courtroom: 740

255 East Temple Street  
Los Angeles, CA 90012

Action Filed: November 20, 2012

1 Pursuant to the Court's Case Management and Scheduling Order, dated April  
2 11, 2013, Plaintiff LegalZoom.com, Inc. and Defendant Rocket Lawyer Incorporated  
3 hereby provide their disputed jury instructions.

4 Dated: October 28, 2014

Respectfully submitted,

5  
6 By:           /s/ Michael T. Jones          

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14 *Attorneys for Defendant*  
**ROCKET LAWYER INCORPORATED**

15 Dated: October 28, 2014

Respectfully submitted,

16  
17 By:           /s/ Fred D. Heather          

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**LEGALZOOM.COM, INC.**

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1     **LEGALZOOM’S PROPOSED INSTRUCTIONS**  
2                             **DISPUTED INSTRUCTION NUMBER 1**  
3                                     **BAIT AND SWITCH**

4             In considering whether Rocket Lawyer engaged in deceptive advertising, you  
5 may evaluate whether the advertisement in question was designed to lure potential  
6 customers to Rocket Lawyer’s website under false pretenses with an intent to sell to  
7 those customers a product for a different price, or on different terms, than what was  
8 advertised.

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10             *Authority: In the matter of Consumer Products of America, Inc., et al.*, 72  
11 F.T.C. 533 (1967) (enforcing cease and desist order); affirmed, *Consumer Products of*  
12 *America, Inc. v. F.T.C.*, 400 F.2d 930 (3d Cir. 1968).

13  
14             **Rocket Lawyer’s Position:** This instruction is wholly inappropriate. The  
15 Federal Trade Commission Guide does not have the force of law and cannot be used  
16 to bootstrap claims of false advertising or unfair competition. *Laster v. T-Mobile USA,*  
17 *Inc.*, 05CV1167, 2009 WL 4842801 (S.D. Cal. Dec. 14, 2009) (“[T]he FTC’s guide  
18 does not have the force of law, so it cannot be ‘borrowed’ under the UCL.”) *vacated*  
19 *in part*, 466 F. App’x 613 (9th Cir. 2012); *see also* 16 C.F.R. § 240.1 (the FTC’s  
20 guides “do not have the force of law”); *Pocino v. Jostens, Inc.*, B181449, 2006 WL  
21 1163785, at \*6 (Cal. Ct. App. May 3, 2006) (distinguishing violation of federal law  
22 from violation of FTC guide, requiring instead a violation of the underlying statute on  
23 which the guide is based).

24             **LegalZoom’s Position:** This instruction is not intended to be conclusive on  
25 whether Rocket Lawyer violated the Lanham Act. Nor is LegalZoom attempting to  
26 “borrow” an FTC violation for purposes of establishing unfair competition. But the  
27 Jury should be able to consider whether there was an intent to deceive by Rocket  
28 Lawyer, justifying a presumption of actual deception, if the advertisement in question

1 was designed to lure customers to Rocket Lawyer's website under false pretenses with  
2 an intent to sell non-conforming products or services.

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1 **DISPUTED INSTRUCTION NUMBER 2**

2 **DECEPTION**

3 To establish the second element of a false advertising claim, the plaintiff must  
4 show that the defendant’s advertising actually deceived, or had the tendency to  
5 deceive, a substantial segment of its audience. This element is satisfied if the  
6 defendant’s advertising was literally false.

7  
8 *Authority: Southland Sod Farms v. Stover Seed Co.*, 108 F.3d 1134, 1140 (9th  
9 Cir. 1997); *William H. Morris Co. v. Group W, Inc.*, 66 F.3d 255, 258 (9th Cir. 1995);  
10 *POM Wonderful LLC v. Purely Juice, Inc.*, No. CV-07-02663, 2008 WL 4222045, at  
11 \*11 (C.D. Cal. July 17, 2008)

12  
13 **Rocket Lawyer’s Position:** The sentence “This element [consumer deception]  
14 is satisfied if the defendant’s advertising was literally false” describes an incorrect  
15 presumption. Consumer deception is presumed only in the case of deliberately false  
16 claims for the purposes of an injunction. *See Southland Sod Farms*, 108 F.3d 1134,  
17 1146 (9th Cir. 1997) (“Publication of deliberately false comparative claims gives rise  
18 to a presumption of actual deception and reliance.”); *William H. Morris Co. v. Grp. W,*  
19 *Inc.*, 66 F.3d 255, 258 (9th Cir. 1995) (“If Omicron intentionally misled consumers,  
20 we would presume consumers were in fact deceived and Omicron would have the  
21 burden of demonstrating otherwise.”). Even if the presumption applies, it is  
22 rebuttable. Accordingly, the jury should not be instructed that the element is satisfied  
23 even in the case of deliberately false claims. *See William H. Morris Co.*, 66 F.3d at  
24 258.

25 LegalZoom’s citation of POM Wonderful does not help, as shown by cases  
26 cited therein. *POM Wonderful LLC v. Purely Juice, Inc.*, CV-07-02633CAS(JWJX),  
27 2008 WL 4222045, at \*11 (C.D. Cal. July 17, 2008) *aff’d*, 362 F. App’x 577 (9th Cir.  
28 2009) (emphasis added):

1 *Harper House, Inc. v. Thomas Nelson, Inc.*, 889 F.2d 197, 209 (9th  
2 Cir.1989) (even in non-comparative advertising case, no need for actual  
3 evidence of consumer deception **where defendant engaged in**  
4 **intentional deception**); *see also Warner-Lambert Co. v. Breathasure,*  
5 *Inc.*, 204 F.3d 87 (3rd Cir.2000) (where claim was “literally false,  
6 [plaintiff] did not have to introduce consumer testimony, marketing  
7 surveys or proof of lost profits **to enjoin the use**”) *Smithkline Beecham*  
8 *Consumer Healthcare, L.P. v. Johnson & Johnson-Merck Consumer*  
9 *Pharm. Co.*, 906 F.Supp. 178, 181 (S.D.N.Y.1995) (“**a court may**  
10 **enjoin an ad** which is explicitly or literally false without reference to  
11 the advertisement’s impact on the buying public.”)[.].

12  
13 **LegalZoom’s Position:** The instruction is confirmed by existing precedent. In  
14 *POM Wonderful LLC v. Purely Juice, Inc.*, No. CV-07-02663, 2008 WL 4222045 at  
15 \*11 (C.D. Cal. 2008), the court stated when “an advertisement is demonstrated to be  
16 literally false, the Court does not need to inquire into whether consumers were  
17 deceived or misled. A plaintiff is entitled to relief under the Lanham Act on proof of  
18 literal falsity alone, as the court will assume that false statements actually mislead  
19 consumers.” *See also Mutual Pharmaceutical Co. v. Ivax Pharmaceuticals, Inc.*, 459  
20 F.Supp.2d 925, 933 (C.D. Cal. 2006) (““Where the advertisement is literally false, a  
21 violation may be established without evidence of consumer deception.”) (quoting  
22 *Scotts Co. v. United Indus. Corp.*, 315 F.3d 264, 273 (4th Cir. 2002)).





1 “must” to “may”):

2 If the plaintiff has established that the defendant engaged in  
3 intentional deception, then you may then presume that the  
4 advertisement actually deceived or has the tendency to deceive a  
5 substantial segment of the audience, and the defendant has the  
6 burden of proving otherwise.

7 Otherwise, Disputed Instruction Number 7, below, is more appropriate.

8  
9 **LegalZoom’s Response:** LegalZoom opposes the modification that Rocket  
10 Lawyer has proposed, changing “must” to “may.” While LegalZoom agrees that the  
11 presumption is rebuttable, LegalZoom does not agree that the presumption is  
12 optional. The jury should be instructed that the burden of proof shifts to Rocket  
13 Lawyer in the case of intentional deception. The case law cited above is very clear on  
14 this point, and it is not for the jury to decide whether to apply the presumption.



1 381 (7th Cir 1998).

2 This is already covered by undisputed instruction 30.

3 *Skydive Ariz., Inc. v. Quattrochi*, 704 F.Supp.2d 841 (D. Ariz. 2010) is  
4 inapposite. There the malfeasance in question was trademark infringement—thus the  
5 only loss of profits would be attributable to the plaintiff. *Id.* at 848. Here, by contrast,  
6 LegalZoom would be seeking profits to which it was never entitled. “When awarding  
7 profits ... Plaintiff is not ... entitled to a windfall.” *Lindy Pen Co., Inc. v. Bic Pen*  
8 *Corp.*, 982 F.2d 1400, 1405 (9th Cir.1993). In addition, the defendant in *Skydive*  
9 failed to object to the instruction in question. *Skydive*, 704 F. Supp. 2d at 850.

10 **LegalZoom’s Position:** The plaintiff is statutorily entitled to recover the  
11 defendant’s profits attributable to the offending advertisement. *See* 15 U.S.C. sections  
12 1117(a) and 1125(a). “When seeking profits, the Plaintiff’s only burden is to prove  
13 the Defendants’ gross revenues. . . . The burden falls on the Defendant to prove all  
14 deductions and expenses that it believes are necessary to reach an accurate calculation  
15 of profits.” *Skydive Ariz., Inc. v. Quattrochi*, 704 F. Supp. 2d 841, 848 (D. Ariz.  
16 2010) rev’d in part (on other grounds) sub nom. *Skydive Arizona, Inc. v. Quattrocchi*,  
17 673 F.3d 1105 (9th Cir. 2012). *See also Maier Brewing Co. v. Fleischmann Distilling*  
18 *Corp.*, 390 F.2d 117, 124 (9th Cir. 1968) (“the defendant has the burden of proof as to  
19 any deductions from his gross sales.”). LZ’s proposed instruction is consistent with  
20 these precedents. A very similar instruction was approved by the United States  
21 District Court in in a Lanham Act case, *SKYDIVE ARIZONA, INC., Plaintiff, v.*  
22 *Cary QUATTROCHI, et al., Defendants.*, 2009 WL 4956477 (D.Ariz.).

1 **DISPUTED INSTRUCTION NUMBER 5**

2 **DISTINCTION BETWEEN FEDERAL AND CALIFORNIA FALSE**  
3 **ADVERTISING LAW**

4 To prevail on a false advertising claim under California Business and  
5 Professions Code § 17500, the plaintiff must show that members of the intended  
6 audience are likely to be deceived. It is not necessary for the plaintiff to show that the  
7 “advertisements actually deceived or have the tendency to deceive a substantial  
8 segment of their audience.”

9  
10 *Authority: Colgan v. Leatherman Tool Group, Inc.*, 38 Cal. Rptr. 3d 36, 135  
11 Cal. App. 4th 663 (Cal. App. 2006) (citing *Freeman v. Time, Inc.*, 68 F.3d 285, 289  
12 (9th Cir. 1995); *Bank of the West v. Superior Court*, 2 Cal.4th 1254, 1267, 10  
13 Cal.Rptr.2d 538, 833 P.2d 545 (1992); *Lavie v. Procter & Gamble Co.*, 105  
14 Cal.App.4th 496, 504-13, 129 Cal. Rptr. 2d 486 (2003); *Kasky v. Nike, Inc.*, 27  
15 Cal.4th 939, 951, 119 Cal. Rptr. 2d 296, 45 P.3d 243 (2002) (“[T]o state a claim  
16 under either the UCL or the false advertising law, based on false advertising or  
17 promotional practices, ‘it is necessary only to show that “members of the public are  
18 likely to be deceived.’ “); 1A CALLMANN ON UNFAIR COMPETITION, TRADEMARKS AND  
19 MONOPOLIES (4th ed.2004), § 5:17, p. 5-103).

20  
21 **Rocket Lawyer’s Position:** Lanham Act and FAL claims are treated as  
22 substantially the same standard in federal court; thus this instruction is unnecessary  
23 and improper. *CytoSport, Inc. v. Vital Pharm., Inc.*, 894 F. Supp. 2d 1285, 1295 (E.D.  
24 Cal. 2012); *Walker & Zanger*, 549 F. Supp. 2d at 1182; *see also Kwan Software Eng’g*  
25 *v. Foray Techs., LLC*, 2013 U.S. Dist. LEXIS 14708, at \*7 n.2 (N.D. Cal. Jan. 22,  
26 2013) (“The parties agree that false advertising under California law requires the same  
27 showing of falsity as the Lanham Act.”).

28 **LegalZoom’s Response:** While LegalZoom agrees with Rocket Lawyer that

1 Lanham Act and state false advertising claims employ “substantially the same  
2 standard,” there is a distinction which is supported by the case law cited above. To  
3 prevail on a claim under California Business and Professions Code section 17500, the  
4 parties will have to show that members of the intended public are “likely to be  
5 deceived.” The jury should be instructed to apply that standard as to any claim  
6 brought pursuant to California Business and Professions Code section 17500.

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1 **UNDISPUTED INSTRUCTION NUMBER 6**

2 **CALIFORNIA UNFAIR COMPETITION LAW**

3 Both parties assert claims for relief under California’s Unfair Competition Law,  
4 which prohibits any business practice that is forbidden by law. If you find that either  
5 party committed false advertising under the federal Lanham Act or false advertising  
6 under California Business and Professions Code § 17500, then you may also find that  
7 such conduct constitutes unfair competition under California Business and Professions  
8 Code § 17200.

9  
10 *Authority: Gonzalez v. Proctor and Gamble Co.*, 247 F.R.D. 616, 625 (S.D. Cal.  
11 2007); *Korea Supply Co. v. Lockheed Martin Corp.*, 29 Cal. 4th 1134, 1143 (2003);  
12 *CRST Van Expedited, Inc. v. Werner Enter., Inc.*, 479 F.3d 1099, 1107 (9th Cir. 2007).

13  
14 **Rocket Lawyer’s Position:** A UCL action is equitable in nature, *Korea Supply*  
15 *Co. v. Lockheed Martin Corp.*, 29 Cal. 4th 1134, 1144 (2003), and there is no right to  
16 a jury trial for a UCL cause of action, *Hodge v. Superior Court*, 145 Cal. App. 4th  
17 278, 284-85 (2006). *See also People v. Bestline Products, Inc.*, 61 Cal.App.3d 879,  
18 916 (1976); *People v. Toomey*, 157 Cal.App.3d 1, 17–18 (1984); *People v. First*  
19 *Federal Credit Corp.*, 104 Cal.App.4th 721, 733(2002). Any question underlying the  
20 UCL claim that is properly before the jury will be decided as part of the Lanham Act  
21 and FAL claims. Thus, this instruction is improper.

22  
23 **LegalZoom’s Response:** *Korea Supply Co. v. Lockheed Martin Corp.*, 29 Cal.  
24 4th 1134, 1144, 63 P.3d 937 (2003), states that California unfair competition claims  
25 are equitable in nature, but does not say anything about whether a jury may decide  
26 such claims. We did, however, locate one district court opinion which indicates that  
27 such claims are appropriately presented to a jury. *See Waller v. Hewlett-Packard Co.*,  
28 295 F.R.D. 472, 485 (S.D. Cal. 2013) (“For liability to attach under [sections 17200

1 and 17500], it is necessary to show only that members of the public are likely to be  
2 deceived. This is a question, ultimately, of the materiality of the alleged  
3 misrepresentation, which is for a jury to decide at trial rather than a court at the class  
4 certification stage, considering that California law ties materiality to a hypothetical  
5 reasonable person standard.”) (Emphasis added).

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1 **II. ROCKET LAWYER’S PROPOSED INSTRUCTIONS**

2 **DISPUTED INSTRUCTION NUMBER 7**

3 **DECEPTION MAY BE ESTABLISHED IF DEFENDANT PARTY INTENDED**  
4 **TO DECEIVE**

5 If you find that defendant-party deliberately sought to deceive consumers  
6 through its advertisement, you may, but are not required to, presume that plaintiff-  
7 party has met its burden of establishing that a substantial portion of consumers were  
8 actually deceived, unless other evidence convinces you that the advertisement did not  
9 actually deceive a substantial portion of consumers.

10  
11 *Authority:* BAJI § 10:3 Special Instruction 2; *William H. Morris Co. v. Group*  
12 *W, Inc.*, 66 F.3d 255, 258 (9th Cir. 1995).

13  
14 **LegalZoom’s Position:** We believe this instruction, as written, is incorrect in  
15 giving the jury the option to presume deception (instead of requiring the presumption),  
16 and in failing to point out that there is a presumption of consumer deception upon a  
17 finding of literal falsity. We request that the parties agree to use LegalZoom’s  
18 proposed [Disputed Instruction Number 5, *supra*] instead.

19  
20 **Rocket Lawyer’s Response:** The instruction misstates the law. The  
21 presumption of deception is limited to the case of intentional false advertising and is  
22 rebuttable, not mandatory. *William H. Morris Co. v. Grp. W, Inc.*, 66 F.3d 255, 258  
23 (9th Cir. 1995) (“If Omicron intentionally misled consumers, we would presume  
24 consumers were in fact deceived and Omicron would have the burden of  
25 demonstrating otherwise.”); *Harper House, Inc. v. Thomas Nelson, Inc.*, 889 F.2d 197,  
26 209 (9th Cir. 1989) (“The relevant jury instruction correctly followed *Jartran II*: it  
27 stated that **in order for this presumption to apply, the jury must find that**  
28 **defendants engaged in intentional deception.**”) (emphasis added); *U-Haul Intl., Inc.*  
*v. Jartran Inc.*, 793 F.2d 1034, 1040-41 (9th Cir. 1986) (“The expenditure by a

1 competitor of substantial funds in an effort to deceive consumers and influence their  
2 purchasing decisions justifies the existence of a presumption that consumers are, in  
3 fact, being deceived. He who has attempted to deceive should not complain when  
4 required to bear the burden of rebutting a presumption that he succeeded.”).

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1           **LegalZoom’s Position:** We object to any instruction whatsoever regarding  
2 laches, because laches is an equitable defense that is a question for the Court, not the  
3 jury. *Danjaq LLC v. Sony Corp.*, 263 F.3d 942, 962 (“there is no right to a jury on the  
4 equitable defense of laches,” citing *Granite State Ins. Co. v. Smart Modular Techs.*, 76  
5 F.3d 1023, 1027 (9th Cir. 1996) (“A litigant is not entitled to have a jury resolve a  
6 disputed affirmative defense if the defense is equitable in nature”)).

7           We additionally object that this instruction, as written, does not reflect Ninth  
8 Circuit law. Ninth Circuit authority provides that to prevail on a laches defense, the  
9 defendant-party must prove by a preponderance of the evidence that: (1) the plaintiff-  
10 party unreasonably delayed in bringing suit; and (2) the delay caused material  
11 prejudice to the defendant-party. *Internet Specialties W., Inc. v. Milon-DiGiorgio*  
12 *Enterprises*, 559 F.3d 985, 990 (9th Cir. 2009); *Jarrow Formulas, Inc. v. Nutrition*  
13 *Now*, 304 F.3d 829, 838 (9th Cir.2002); *Trustees For Alaska Laborers-Constr. Indus.*  
14 *Health &Sec. Fund v. Ferrell*, 812 F.2d 512, 518 (9th Cir. 1987). The period of delay  
15 is measured beginning from the time that the plaintiff-party knew or should have  
16 known of the of the allegedly infringing conduct. *Danjaq LLC v. Sony Corp.*, 263 F.3d  
17 942, 952 (9th Cir. 2001). There is an exceptionally strong presumption that laches  
18 cannot be found when a case is brought within the statute of limitations or analogous  
19 statute of limitations. *Shouse v. Pierce County*, 559 F.2d 1142, 1147 (9th Cir. 1977).  
20 We further object because the case you cite as authority does not support the  
21 instruction’s language regarding: (1) considerations for what a plaintiff-party “should  
22 have known”; (2) the plaintiff-party’s duty to investigate; or (3) the existence of  
23 material prejudice.

24  
25           **Rocket Lawyer’s Response:** The assertion of an equitable defense in an action  
26 at law does not “warrant separate and prior trial by the court.” *Unilogic, Inc. v.*  
27 *Burroughs Corp.*, 10 Cal. App. 4th 612, 622, (1992). “Moreover, the trial court has  
28 discretion whether to submit an equitable defense to the jury.” *Id.* Should the Court

1 decide to submit Rocket Lawyer's equitable defenses to the jury, this instruction is  
2 necessary and appropriate.

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1 **DISPUTED INSTRUCTION NUMBER 9**

2 **AFFIRMATIVE DEFENSE OF UNCLEAN HANDS**

3 Rocket Lawyer has asserted the defense of ‘unclean hands’ against the false  
4 advertising claims of LegalZoom. This requires Rocket Lawyer to demonstrate by  
5 clear and convincing evidence that:

- 6 1. LegalZoom’s conduct was inequitable; and  
7 2. The inequitable conduct of LegalZoom related directly to the subject  
8 matter of LegalZoom’s claims against Rocket Lawyer.

9 Conduct that is ‘inequitable’ means misconduct which is sufficiently egregious  
10 that, after considering the public’s interest in preventing misleading advertisements,  
11 and after considering the merits of LegalZoom’s false advertising claims against  
12 Rocket Lawyer, LegalZoom’s claims should be barred outright because of its conduct.

13 LegalZoom’s conduct ‘directly relates to the subject matter’ of its claims if  
14 LegalZoom has engaged in directly the same type of conduct about which it  
15 complaints, and such conduct has an immediate and necessary relation to the relief  
16 that LegalZoom seeks.

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18 *Authority:* BAJI § 10:3 Special Instruction 4; *Brother Records, Inc. v Jardine*,  
19 318 F.3d 900, 909 (9th Cir. 2003); *Jarrow Formulas, Inc. v. Nutrition Now, Inc.*, 304  
20 F.3d 829, 841 (9th Cir. 2002); *Ellenburg v. Brockway, Inc.*, 763 F.2d 1091, 1097 (9th  
21 Cir. 1985); *Pfizer, Inc. v. Int’l Rectifier Corp.*, 685 F.2d 357, 359 (9th Cir. 1982).

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23 **LegalZoom’s Position:** We object to this instruction because, like laches,  
24 unclean hands is an equitable defense to be resolved by the Court. *Cal-Agrex v.*  
25 *Tassell*, 258 F.R.D. 340, 348 (N.D. Cal. 2009) *aff d*, 408 F. App’x 5 8 (9th Cir. 2011).

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27 **Rocket Lawyer’s Response:** The assertion of an equitable defense in an action  
28 at law does not “warrant separate and prior trial by the court.” *Unilogic, Inc. v.*

1 Burroughs Corp., 10 Cal. App. 4th 612, 622, (1992). “Moreover, the trial court has  
2 discretion whether to submit an equitable defense to the jury.” *Id.* Should the Court  
3 decide to submit Rocket Lawyer’s equitable defenses to the jury, under its discretion,  
4 *Unilogic, Inc. v. Burroughs Corp.*, 10 Cal. App. 4th 612, 622 (1992), this instruction  
5 is appropriate.

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