Exhibit 2

IN THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF TEXAS

LAMEBOOK, LLC,	)	
	)	
Plaintiff,	)	
	)	
v.	)	CIVIL ACTION NO. 1:10-cv-833-SS
	)	
FACEBOOK, INC.,	)	
	)	
Defendant.	)	

PLAINTIFF LAMEBOOK, LLC'S RESPONSE TO DEFENDANT FACEBOOK, INC.'S MOTION TO DISMISS COMPLAINT FOR DECLARATORY JUDGMENT

Plaintiff Lamebook, LLC, ("Lamebook") files its Response to Defendant Facebook, Inc.'s ("Facebook") Motion to Dismiss Complaint for Declaratory Judgment and respectfully shows as follows:

SUMMARY

In its Motion to Dismiss Complaint for Declaratory Judgment, Facebook claims that it deferred filing suit while Lamebook feigned interest in settlement discussions, only to have Lamebook "race" to the courthouse in Austin, Texas to file an "anticipatory" declaratory judgment action. Facebook's argument is misleading and disregards well-established Fifth Circuit law. This response will show that: 1) Lamebook's declaratory judgment suit was filed after 8 months of unsuccessful discussions with Facebook, 2) during these discussions, Lamebook clearly and repeatedly communicated to Facebook its position that it did not infringe or dilute Facebook's trademark rights, 3) Lamebook never agreed to change its name, and 4) ***perhaps most importantly***, Lamebook never misled Facebook during the parties' discussions.

This response will further demonstrate that under Facebook's flawed logic, once a party has engaged in exploratory discussions in response to pre-lawsuit allegations, that party is essentially barred from thereafter seeking declaratory relief, regardless of how long the disagreement between the parties may have dragged on or the effect such allegations may have

on the accused party. Such a policy would obliterate the very purpose of the Declaratory Judgment Act.

ARGUMENT AND AUTHORITY

A. The First-to-File Rule

The Fifth Circuit adheres to the "first-to-file" rule, which holds that when two related cases are pending in two district courts, the later-filed action should be dismissed if the issues in the two cases "substantially overlap." *The Cadle Co. v. Whataburger of Alice, Inc.*, 174 F.3d 599, 603 (5th Cir. 1999). It is undisputed that Lamebook filed this action on November 4, 2010, four days prior to the action Facebook filed in the Northern District of California on November 8, 2010. Moreover, it is clear that the issues in both cases substantially overlap, the crux of which is whether the LAMEBOOK mark and website infringe and/or dilute Facebook's trademark rights. Accordingly, this is the proper Court to hear this dispute and the Northern District of California Court should dismiss the later filed action.[1]

B. This Court should retain jurisdiction over Lamebook's declaratory judgment suit

Facebook asserts this Court should decline to adjudicate this claim, arguing that Lamebook feigned interest in settlement while it prepared and filed an "anticipatory lawsuit." In support of its Motion, Facebook misstates important facts and fails to address all of the required legal factors.

The Fifth Circuit has set forth a three-step inquiry that district courts must undertake when determining whether to dismiss a declaratory judgment action: 1) whether the declaratory judgment is justiciable; 2) whether the court has the authority to grant declaratory relief; and 3) whether the court should exercise its discretion to dismiss the action. *Orix Credit Alliance, Inc. v. Wolfe*, 212 F.3d 891, 895 (5th Cir. 2000). The first two factors are undisputed and clearly present

in this case. There is a justiciable controversy between the parties as to whether Lamebook has the right to use the LAMEBOOK mark, and this Court has the authority to grant relief because the dispute involves a federal question under Section 43 of the Lanham Act, diversity exists between the parties, and there is no pending state court action. Thus, the decision to dismiss this action rests solely on the third factor—whether the Court should exercise its discretion to do so.

The Fifth Circuit has identified the following seven nonexclusive factors to consider when deciding whether dismiss a declaratory judgment action: **1)** whether there is a pending state action in which all matters in controversy may be fully litigated; **2)** whether plaintiff filed suit in anticipation of a lawsuit filed by defendant; **3)** whether plaintiff engaged in forum shopping; **4)** whether possible inequities in allowing the declaratory plaintiff to gain precedence in time or to change forums exist; **5)** whether the federal court is a convenient forum; **6)** whether retaining the lawsuit would serve purposes of judicial economy; and **7)** whether the federal court is being called on to construe a state judicial decree involving the same parties and entered by the court before whom the parallel state suit between the same parties is pending. *St. Paul Ins. Co. v. Trejo*, 39 F.3d 585, 590-91 (5th Cir. 1994); *see also Sherwin-Williams Co. v. Holmes County*, 343 F.3d 383, 390 (5th Cir. 2003).

The Fifth Circuit has repeatedly held that the seven *Trejo* factors ***must*** be considered on the record before a discretionary dismissal of a declaratory judgment occurs. *Am. Bankers Life Assur. Co. of FL. v. Overton*, 128 Fed. Appx. 399, 402 (5th Cir. 2005). That Facebook's Motion fails to address all of these factors as required is not surprising, as when the factors are considered in their entirety, it is clear the evidence weighs heavily in favor of this Court retaining jurisdiction over this lawsuit.

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[1] Lamebook will be filing a motion to dismiss in the later-filed action in the Northern District of California on or prior to February 24, 2010.

1. Whether there is a pending state action

It is undisputed there is no pending state action in which all matters at issue may be litigated. The Fifth Circuit has held even though there is no *per se* rule requiring a district court to hear a declaratory judgment action when there is no pending state litigation, the absence of a pending state action is an important factor weighing strongly against dismissal. *Sherwin-Williams Co.*, 343 F.3d at 394; *see also Ceramic Performance Worldwide, LLC v. Motor Works, LLC et al.*, No. 3-09-CV-0344-BD, 2010 U.S. Dist. LEXIS 4604, at *5 (N.D. Tex. Jan. 21, 2010) (holding the absence of a parallel state proceeding was of particular significance and weighed heavily against dismissal).

2. Whether Lamebook filed an "anticipatory suit"

Facebook argues that this case is a "text book" example of an anticipatory suit that should be dismissed by this Court. In doing so, Facebook attempts paint the exception as the rule by claiming Texas cases "routinely" dismiss declaratory judgments. This is not the case.[2] If Facebook's view of the law were to prevail, it would mean virtually every declaratory judgment action where there have been pre-suit discussions between the parties would be at risk for dismissal. That is clearly not the law, as it would obliterate the very purpose of the Declaratory Judgment Act.

The Fifth Circuit has repeatedly addressed the argument in Facebook's Motion and explained that federal courts use the term "anticipatory filing" as shorthand to refer to a more

[2] *See Am. Bankers Life Assur. Co. of FL*, 128 Fed. Appx. 399, 402; (reversing district court's dismissal of declaratory judgment action for failing to consider all of the *Trejo* factors on the record); *Sherwin-Williams Co.*, 343 F.3d at 391 (reversing district court's dismissal of declaratory judgment action because factors weighed in favor of retaining jurisdiction); *Excentus Corp. v. The Kroger Co.*, No. 3:10-CV-0483-B, 2010 U.S. Dist. LEXIS 97130, *8 (N.D. Tex. Sept. 16, 2010) (retaining jurisdiction over first-filed suit after determining it was not filed for improper or abusive reason); *Ceramic Performance Worldwide, LLC*, 2010 U.S. Dist. LEXIS 4604, at *5 (retaining jurisdiction of declaratory judgment action for non-infringement of trademark); *Apache Corp. v. New York City Emples. Ret. Sys.*, No. H-08-1064, 2008 U.S. Dist. LEXIS 31012, at *8 (S.D. Tex. Apr. 15, 2008) (holding no evidence that defendants delayed filing suit because of settlement discussions and retaining jurisdiction over declaratory judgment action).

complex inquiry. *Sherwin-Williams Co.*, 343 F.3d at 391. The Fifth Circuit recognizes that federal declaratory judgment suits are routinely filed in anticipation of other litigation and has specifically held that "a proper purpose of Section 2201(a) is to allow potential defendants to resolve a dispute without waiting to be sued . . ." *Sherwin-Williams Co.*, 343 F.3d at 397; *Texas Emplrs.' Ins. Assoc. v. Jackson*, 862 F.2d 491, 505 (5th Cir. 1988). "Declaratory judgments are often 'anticipatory,' filed when there is an actual controversy that has resulted in or created a likelihood of litigation." *Sherwin-Williams Co.*, 343 F.3d at 391-92. Therefore, under Fifth Circuit law, the determinative question is not whether a declaratory judgment action was filed in anticipation of related litigation, but whether it was filed for " improper and abusive" reasons. *Id.* at 391.

In an attempt to paint Lamebook's declaratory judgment suit as improper and abusive, Facebook claims that, if not for Lamebook's feigned interest in settlement, Facebook would have filed suit in the Northern District of California. Facebook goes on to suggest that Lamebook's declaratory judgment suit was a "race" to the courthouse, filed in response to threats of litigation by Facebook. However, a review of the facts reveals that: 1) Lamebook did not feign interest in settlement, rather it repeatedly and adamantly expressed a refusal to change its name, and 2) there was no "race" to the courthouse, as Facebook never indicated that litigation was imminent.

Beginning with the initial discussion between the parties on April 1, 2010, Lamebook's counsel, Conor Civins, went to great lengths to articulate Lamebook's position that its website was a successful, non-confusing parody that did not infringe Facebook's trademark rights. Civins Decl. ¶ 3. Mr. Civins also repeatedly conveyed that, while Lamebook was willing to try to reach some sort of amicable resolution, it had spent considerable time and energy building support for its website, and was not interested in changing its name. *Id.* ¶¶ 3-4, 6-8. As discussions continued

over the next few months, Lamebook maintained its position that it did not infringe or dilute Facebook's trademark rights, and Facebook continued to insist that Lamebook change its name. *Id.* ¶¶ 4, 6-8. In response to Lamebook's repeated refusal to change its name, Facebook sent a letter to Lamebook on July 1, 2010, reiterating its demands. *Id.* Ex. A at 5-6. Lamebook responded by requesting a meeting with Facebook without the parties' respective counsel present, hoping they could convince Facebook to see reason. *Id.* ¶ 6. Facebook flatly refused this request. *Id.*

In September 2010, after months of pressure from Facebook, Lamebook did indicate that it would it would explore the possibility of transitioning to the name "Lameblog." *Id.* ¶ 7. However, Lamebook made clear that it first needed to test the name in order to determine whether it was a viable alternative, and that there was no guarantee that Lamebook would ultimately agree to make a change.[3] *Id.* At no time during the discussions over the next couple of months did Lamebook ever agree to change its name. *Id.* ¶ 8.

Contrary to Facebook's claims, during the 8 month period in which the parties were in communication, Facebook never threatened or indicated that a lawsuit was imminent if the alleged "settlement discussions" between the parties were to prove unsuccessful. *Id.* ¶¶ 4-8. In fact, when Facebook counsels' communications over the 8 month period are closely examined, it is quite clear that they took special care not to make such threats. *Id.* The only specific threats articulated by Facebook's counsel during the discussions between the parties were the removal of Lamebook's "Facebook page" from the Facebook website and a potential opposition to

[3] Facebook's Motion misconstrues Mr. Civins' September 30, 2010 e-mail stating he would "be happy to give [Facebook counsel] a status update and start discussing the possible terms of a transition." *See* Facebook Mot., at p. 4. Mr. Civins' e-mail was clearly an offer to explore the possibility of transitioning to the name "Lameblog," but was not an agreement to do so.

Lamebook's trademark application at the United States Patent and Trademark Office ("USPTO"). *Id.* ¶ 4. Facebook's July 1, 2010 letter to Lamebook repeats these same threats. *Id.* ¶ 5.

Nevertheless, Facebook would have the Court believe that Lamebook was aware that a lawsuit was imminent and misled Facebook during discussions in an attempt to win a "race" to the courthouse. Facebook even goes so far as to misstate the facts to support its version of the events by claiming Lamebook counsel misled Facebook counsel by suggesting a call on the afternoon of November 4, 2010, only to file the declaratory judgment that morning "while Facebook's counsel waited to continue settlement discussions [that] afternoon." That claim is wholly inaccurate.

To set the record straight, Lamebook's counsel returned a call from Facebook's counsel on the afternoon of November 2, 2010, and left a voice mail suggesting they could schedule a call for the afternoon of November 4, 2010. *Id.* ¶ 9. Facebook's counsel never returned the call or otherwise took Lamebook up on its offer to schedule a call. *Id.* By that time, Lamebook had been preparing for the possibility of filing a declaratory judgment for several weeks as a result of months of disagreement with Facebook. Lamebook had no way of knowing when, if ever, Facebook would choose to remove its page from the Facebook website, oppose its trademark application at the USPTO, or file a lawsuit. Thus, on November 4, 2010, after the close of business hours had come and gone without hearing anything from Facebook's counsel, Lamebook made the decision to file its declaratory judgment ***at 6:35 pm***. *Id.* Ex. B. Facebook's claim that Lamebook filed its lawsuit that morning "while Facebook's counsel waited to continue settlement discussions that afternoon" is simply not true.

Despite Facebook's claims, Lamebook did not "race" to get its declaratory judgment suit on file, because, as explained above, there was no indication that Lamebook needed to be in a

hurry. Lamebook's declaratory judgment was not an "anticipatory suit" or otherwise filed for improper or abusive reason, but rather was filed for the purpose intended by the Declaratory Judgment Act. *See Sherwin-Williams Co.*, 343 F.3d at 391-92; *see also Ceramic Performance Worldwide, LLC*, 2010 U.S. Dist. LEXIS 4604, at *5 (holding plaintiff was entitled to bring declaratory judgment action for non-infringement of trademark "rather than wait to see if defendants ever made good on their threats").

3. Whether Lamebook engaged in "forum shopping"

The Fifth Circuit has expressed that federal courts use the term "forum shopping" as shorthand to refer to a more complex inquiry and that, by definition, every lawsuit requires the selection of a forum. *Sherwin-Williams Co.*, 343 F.3d at 391. The key is whether a declaratory judgment gained access to a particular forum on improper or unfair grounds. *Id.* Merely filing a declaratory judgment action in a federal court with jurisdiction to hear it does not amount to improper or abusive forum shopping. *Id.*

Lamebook filed its declaratory judgment in the Western District of Texas for two reasons: 1) Lamebook is located in Austin, Texas, and 2) Facebook has a substantial presence in this District by way of an office located here.[4] There is no unfair procedural or legal advantage Lamebook gains by being in this District as opposed to the Northern District of California. It is well known that Facebook has reaped the benefits of the Western District of Texas, and Austin in particular, including $200,000 in city incentives to set up its office, as well as $1.4 million that has been pledged by Texas officials from the Texas Enterprise Fund. *See* Civins Decl. Exs. C and D. That Facebook would now consider it improper to have this Court hear this case or that Lamebook engaged in improper forum shopping by filing suit here borders on the ridiculous.

[4] Facebook has pledged to hire 200 employees in the Austin office, which is located at 300 W. Sixth Street, Austin, Texas 78701. *See* Civins Decl. Ex. C.

4. Whether inequities exist in allowing declaratory judgment to proceed

As already addressed under the two previous factors, Lamebook's declaratory judgment suit was not filed for improper and abusive reasons, and Lamebook will gain no unfair procedural or legal advantage by proceeding with its declaratory judgment suit. Thus, no inequities exist by allowing Lamebook's first-filed suit to proceed in this forum.

5. Whether this Court is a convenient forum

This Court is arguably the single most convenient forum in the country for the parties involved. Lamebook is an Austin based company and all of its witnesses and documents are located here. Civins Decl. ¶ 13. Facebook has an Austin office located at 300 W. Sixth Street, Austin, Texas 78701, less than .2 miles from the federal courthouse. *See* Civins Decl. Ex. C.

6. Whether retaining the lawsuit would serve judicial economy

Facebook argues that judicial economy would be served by dismissing this declaratory judgment and allowing the later-filed suit in California to proceed because it seeks "broader relief" by asserting additional claims for federal anti-cybersquatting, false designation of origin, as well as state and common law claims. This argument is meritless, however, as Facebook will have its opportunity to assert each of these additional causes of action against Lamebook if it chooses by filing counterclaims in response to Lamebook's declaratory judgment suit. Accordingly, this litigation will resolve all the areas of dispute between the parties, and will be at least equal in scope to the later-filed suit in California.

7. Whether federal court is called to construe state judicial decree

Because there is no parallel state suit and no state judicial decree, this factor weighs in favor of this Court retaining jurisdiction over the declaratory judgment suit.

C. Lamebook should not be penalized for considering settlement

Facebook portends to have been lured into settlement discussions while Lamebook raced to file an anticipatory lawsuit. Accordingly, Facebook argues that retaining jurisdiction over this action would penalize it for engaging in good faith negotiations. However, as explained above, Lamebook filed its declaratory judgment suit after more than 8 months of disagreement with Facebook and there was no "race" to the courthouse.

Under Facebook's logic, if a party such as Lamebook indicates interest in exploring possible resolutions to a matter or engages in exploratory discussions with the party making pre-lawsuit allegations, they are forever barred from seeking declaratory relief—regardless of how long a dispute may have dragged on or how detrimental the effect of the lingering threat may be. A policy that deprives an accused party of its right to seek declaratory relief because that party engaged in preliminary but unsuccessful settlement discussions would 1) have a chilling effect on settlement discussions, and 2) destroy the very purpose of the Declaratory Judgment Act, which includes "allow[ing] potential defendants to resolve a dispute without waiting to be sued . . ." *Sherwin-Williams Co.*, 343 F.3d at 397.

CONCLUSION

For the foregoing reasons, Lamebook respectfully requests that this Court deny Facebook's motion to dismiss and order that the lawsuit should proceed.

Dated: February 7, 2010

Respectfully submitted,

/s/ Conor M. Civins

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CERTIFICATE OF SERVICE

I hereby certify that on February 7, 2011, I electronically filed the foregoing with the Clerk of Court using the CM/ECF system which will send notification of such filing to the following:

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