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10 **UNITED STATES DISTRICT COURT**
 11 **NORTHERN DISTRICT**
 12 **OAKLAND DIVISION**

13 FREECYCLESUNNYVALE,
 a California unincorporated association,

14 Plaintiff,

15 v.

16 THE FREecycle NETWORK,
 an Arizona corporation,

17 Defendant.
 18

Case No. C06-00324 CW

**PLAINTIFF AND
 COUNTERDEFENDANT
 FREECYCLESUNNYVALE'S REPLY
 IN SUPPORT OF MOTIONS TO
 DISMISS COUNTERCLAIMS UNDER
 FED.R.CIV.P. 12(b)(6) AND TO STRIKE
 STATE-LAW COUNTERCLAIM
 UNDER CAL. CODE. CIV. PROC.
 § 425.16**

19
 20 THE FREecycle NETWORK, INC., an
 Arizona Corporation,

21 Counterclaimant,

22 v.

23 FREECYCLESUNNYVALE, a California
 unincorporated association,

24 Counterdefendant.
 25

Before: The Honorable Claudia Wilken

1 **I. INTRODUCTION**

2 Defendant and Counterclaimant The Freecycle Network, Inc.'s ("TFN") Opposition to
3 Plaintiff and Counterdefendant FreecycleSunnyvale's motions to dismiss and strike does nothing
4 to salvage TFN's deficient counterclaims. TFN misstates the legal standard on a motion to
5 dismiss under Fed.R.Civ.P. 12(b)(6). TFN misstates the law that applies to claims under the
6 Lanham Act and mischaracterizes its trademark and unfair competition counterclaims. This
7 Court should dismiss TFN's counterclaims because those counterclaims either fail to allege a
8 cognizable legal theory or fail to allege sufficient facts under a cognizable legal theory.

9 TFN's Opposition only confirms that this Court should strike TFN's state-law
10 counterclaim under California's anti-SLAPP law, Cal. Code. Civ. Proc. § 425.16. TFN's factual
11 arguments are refuted by the record on which TFN asks this Court to rely, a record that confirms
12 that TFN's state-law counterclaim is based upon FreecycleSunnyvale's free speech activities and
13 is not likely to succeed. This Court should strike TFN's state-law counterclaim as violating
14 California's anti-SLAPP law.

15 **A. A Motion To Dismiss Under Fed.R.Civ.P. 12(b)(6) May Be Granted If TFN**
16 **Has Not Alleged A Cognizable Legal Theory Or Sufficient Facts Under A**
17 **Cognizable Legal Theory**

18 TFN wrongly asks this Court to deny FreecycleSunnyvale's motion to dismiss by
19 applying the notice standard of Fed.R.Civ.P. 8. *E.g.*, Opposition 8:27-28; 11:4-5; 11:13-14. The
20 parties are well acquainted with their differences of opinion regarding TFN's efforts to assert
21 trademark rights over the generic term "freecycle." The issue before this Court is not whether
22 FreecycleSunnyvale is on notice of those differences of opinion. The Rule 12(b)(6) issue is
23 whether TFN's counterclaims are based upon a cognizable legal theory or allege sufficient facts
24 under a cognizable legal theory. *Balistreri v. Pacifica Police Dept.*, 901 F.2d 696, 699 (9th Cir.
25 1990) ("Dismissal can be based on the lack of a cognizable legal theory or the absence of
26 sufficient facts alleged under a cognizable legal theory.").
27
28

1 **B. TFN Has Not Alleged A Claim For Relief Under The Lanham Act**

2 **1. TFN’s Counterclaim Under § 32(1) Of The Lanham Act Should Be**
3 **Dismissed Because TFN Does Not Have A Federally Registered**
4 **Trademark**

5 TFN does not have a federally registered trademark and, therefore, lacks standing to
6 bring its counterclaim under under § 32(1) of the Lanham Act, 15 U.S.C. § 1114(1). Rather than
7 concede that it lacks standing, TFN misstates the law by arguing that the owner of an
8 unregistered trademark may state a claim under § 32(1). Opposition 6:16-17. TFN cites no case
9 which holds that the owner of an unregistered trademark has standing to bring an action under §
10 32(1). In the principal case on which TFN relies, the claimant owned a federally registered
11 trademark and had standing under § 32(1). *See Prudhomme v. The Procter & Gamble Co.*, 800
12 F. Supp. 390, 392 n.5 (E.D. La. 1992). In TFN’s other two cases, owners of unregistered marks
13 proceeded under § 43(a), not § 32(1). *See Wal-Mart Stores, Inc. v. Samara Bros., Inc.*, 529 U.S.
14 205, 208 (2000) (unregistered trade dress); *Mario Valente Colleazioni, Ltd. v. AAK Ltd.*, 280 F.
15 Supp. 2d 244, 247, 254-57 (S.D.N.Y. 2003) (unregistered trademark).

16 In its Opposition, TFN cites to cases which *confirm* that only the owner of a registered
17 mark has standing under § 32(1). *See Wal-Mart Stores, Inc.*, 529 U.S. at 209 (“Registration of a
18 mark under § 2 of the Lanham Act . . . enables the owner to sue an infringer under § 32.”);
19 *Brookfield Communications, Inc. v. W. Coast Entm’t Corp.*, 174 F.3d 1036, 1046 n.8 (9th Cir.
20 1999) (“section 32 provides protection only to registered marks”). *See also National Licensing*
21 *Association, LLC v. Inland Joseph Fruit Co.*, 361 F. Supp. 2d 1244, 1254 (E.D. Wash. 2004)
22 (“Section 32 of the Lanham Act grants standing to assert a claim of trademark infringement to
23 the ‘registrant’ of the mark.”)

24 In the alternative, TFN concocts an argument that both mischaracterizes its counterclaims
25 and invents an unsupportable legal proposition. First, TFN misrepresents that it also brought a
26 trademark infringement counterclaim under § 43(a) of the Lanham Act, 15 U. S.C. § 1125(a).
27 Opposition 7:11-12. In its first counterclaim, TFN alleges “direct trademark infringement” under
28 § 32(1) and “contributory trademark infringement” under § 43(a). Answer and Counterclaim ¶

1 74, 75. In its second counterclaim, TFN alleges “unfair competition in violation of” § 43(a). *Id.*
 2 ¶ 80. Missing is any allegation that FreecycleSunnyvale directly infringed under § 43(a).

3 TFN then reaches the unsupportable conclusion that, because TFN might have alleged
 4 direct trademark infringement under § 43(a), any lack of standing under § 32(1) is somehow
 5 “moot.” Opposition 7:9-12. The two cases that TFN cites provide no support for this novel,
 6 “mootness” argument. In *Frisch’s Restaurant, Inc. v. Elby’s Big Boy of Steubenville, Ohio*, 849
 7 F.2d 1012, 1015 (6th Cir. 1988), because the court upheld a finding of infringement under
 8 § 43(a), the court declined to reach the issue of whether the licensee of a federally registered
 9 trademark had standing under § 32(1). In *Brookfield Communications, Inc.*, 174 F.3d at 1042,
 10 1046 n.8, the trademark was federally registered, and the Ninth Circuit stated that, “section 32
 11 provides protection only to registered marks.”

12 TFN lacks standing to bring its counterclaim under § 32(1), and TFN does not cite a
 13 single case to the contrary. FreecycleSunnyvale respectfully requests this Court to dismiss
 14 TFN’s direct trademark infringement counterclaim under § 32(1) with prejudice.

15 **2. TFN’s Contributory Trademark Infringement Counterclaim Lacks**
 16 **Necessary Allegations Of Third Party Infringement Or Control Of**
 17 **The Instrumentality Of Third Party Infringement**

18 TFN objects to the requirement that it must allege direct infringement by a third party to
 19 support its contributory trademark infringement counterclaim. Opposition 8:20-21. Before
 20 making its argument, TFN states that it “alleged that [FreecycleSunnyvale] has ‘intentionally
 21 induced another to infringe’.” Opposition 8:7-8. Nowhere in the cited portion of the
 22 counterclaims does that language appear. *Cf.* Answer and Counterclaim ¶¶ 72, 73 (“encourage”
 23 or “encourages” “others to use”). TFN’s counterclaims may allege that FreecycleSunnyvale
 24 encouraged third parties to use “freecycle,” but use of a trademarked word in casual
 25 conversation, or even in critical commentary, is not trademark infringement. Nowhere does TFN
 26 allege that any third party use constitutes *direct* infringement.

27 Ignoring established precedent, TFN argues that there is no “support [for the] contention
 28 that a third party must infringe . . . before [TFN] can allege contributory trademark

1 infringement.” Opposition 8:21-22. Two cases cited by TFN provide the necessary support. In
 2 *Inwood Laboratories, Inc. v. Ives Laboratories, Inc.*, 456 U.S. 842 (1982), defendant supplied
 3 generic drugs to third-party pharmacists who mislabeled the drugs with an infringing trademark.
 4 Before reaching the issue of intent, the Court first established that the third-party pharmacists
 5 directly infringed. *Id.* at 854. In *Lockheed Martin Corp. v. Network Solutions, Inc.*, 194 F.3d
 6 980, 983-84 (9th Cir. 1999), the Ninth Circuit noted that a ground for summary judgment on
 7 contributory trademark infringement is that “no genuine issue of material fact exists as to [third-
 8 party] infringement.” Additionally, FreecycleSunnyvale cited to *Fonovisa, Inc. v. Cherry*
 9 *Auction, Inc.*, 76 F.3d 259, 264 (9th Cir. 1996) (emphasis added), where the Ninth Circuit stated
 10 that contributory trademark infringement “recognizes liability for conduct that assists others in
 11 *direct* trademark infringement.” In that case, “there was no dispute . . . that [third-party] vendors
 12 . . . were selling counterfeit recordings in violation of Fonovisa’s trademarks.” *Id.* at 261.¹

13 TFN reveals further deficiencies in its counterclaim by looking for support in a line of
 14 cases in which a contributory trademark infringer places a tangible product with an infringing
 15 trademark into the stream of commerce, knowing that the infringing product is being resold to
 16 consumers. Opposition 9:1-8. *See generally* 4 MCCARTHY ON TRADEMARKS AND UNFAIR
 17 COMPETITION § 25:18 (2005) (discussing ‘product’ line of cases). TFN does not, and cannot,
 18 allege that FreecycleSunnyvale placed a tangible product into the stream of commerce. Because
 19 TFN’s contributory trademark infringement counterclaim does not fall into the ‘product’ line of
 20 cases, TFN’s counterclaim must be based upon allegations that FreecycleSunnyvale exercises
 21 “[d]irect control and monitoring of the instrumentality used by a third party to infringe the
 22 plaintiff’s marks.” *Lockheed Martin Corp.*, 194 F.3d at 984. This is yet another reason why
 23

24 ¹ For additional cases, see *Rolex Watch, U.S.A. v. Michel Co.*, 179 F.3d 704, 713 (9th Cir.
 25 1999) (upholding finding of no contributory trademark infringement where there was no
 26 evidence that defendant “knew or had reason to know [third-parties] were engaging in trademark
 27 infringement”); *Sony Computer Entertainment America v. Gamemasters*, 87 F. Supp. 2d 976,
 28 986 (N.D. Cal. 1999) (en route to finding no likelihood of success on contributory trademark
 infringement, “no evidence showing any likelihood that third parties are infringing SCEA’s
 marks”); *A&M Records, Inc. v. Abdallah*, 948 F. Supp. 1449, 1457 (C.D. Cal. 1996) (finding
 contributory trademark infringement where defendant “knew that [third parties] used the
 cassettes to engage in trademark infringement”).

1 TFN has not alleged sufficient facts under a cognizable theory of contributory trademark
2 infringement.

3 TFN's allegations of contributory trademark infringement fail to allege sufficient facts
4 under a cognizable legal theory of contributory trademark infringement. TFN does not allege
5 that (1) any third party uses the word "freecycle" in a manner that directly infringes TFN's
6 alleged trademarks, (2) FreecycleSunnyvale intended, knew, or should have known of any
7 infringing use by a third party, or (3) FreecycleSunnyvale exercises control and monitoring of
8 any instrumentality by which any third party directly infringes TFN's alleged trademarks.
9 FreecycleSunnyvale respectfully requests this Court to dismiss TFN's counterclaim for
10 contributory trademark infringement.

11 **3. TFN's Conflicting Standing Allegations Demonstrate That TFN Has**
12 **Not Alleged Sufficient Facts Under A Cognizable Legal Theory For**
13 **Unfair Competition Under § 43(a) Of The Lanham Act**

14 Expanding upon its novel "mootness" argument, TFN argues that, because there are
15 several counterclaims that TFN might have alleged under § 43(a), TFN should be excused from
16 properly pleading even one. Opposition 10:4 to 11:2. The problem is that different § 43(a)
17 claims have different requirements, including standing requirements:

18 We have said that different causes of action alleged pursuant to the
19 different subsections of [§ 43(a)] have different standing
20 requirements. *Smith* and *Waits* involved the "false association"
21 prong of § 43[(a)(1)(A)], under which a plaintiff need only allege
22 commercial injury based upon the deceptive use of a trademark or
23 its equivalent to satisfy standing requirements. That the parties be
24 competitors "in the traditional sense" is not required. On the other
25 hand, for standing pursuant to the "false advertising" prong of
26 § 43(a)[(1)(B)], a plaintiff must show: (1) commercial injury based
27 upon a misrepresentation about a product; and (2) that the injury is
28 "competitive," or harmful to plaintiff's ability to compete with the
defendant.

25 *Jack Russell v. American Kennel Club*, 407 F.3d 1027, 1037 (9th Cir. 2005) (citations omitted)
26 (upholding finding of no standing to bring false advertising claim due to lack of competitive
27 injury).

1 TFN's § 43(a) unfair competition allegations do not meet the requirements of Rule
 2 12(b)(6), chiefly because TFN's standing allegations do not allege sufficient facts under a
 3 cognizable legal theory. TFN alleges that FreecycleSunnyvale used TFN's alleged trademarks
 4 "in connection with competing services," suggesting a counterclaim for false advertising.
 5 Answer and Counterclaims ¶ 80. TFN also alleges that it "promotes recycling by providing
 6 support to and acting as a central organizing point for local community-based recycling efforts."
 7 *Id.* ¶ 61. The inference would be that FreecycleSunnyvale competes with TFN in the provision
 8 of support to local freecycling groups. But, TFN refutes this inference of a competitive relation
 9 by alleging that FreecycleSunnyvale is one of the local groups that TFN aims to support,
 10 suggesting instead a counterclaim for false association. *See id.* ¶¶ 71, 73. Therein lies the
 11 problem. While TFN's Opposition is correct that § 43(a) includes several, discrete claims for
 12 relief, TFN's counterclaim falls short of alleging sufficient facts to state even one claim for relief
 13 based upon a cognizable, § 43(a) legal theory.

14 Contrary to TFN's Opposition, pleading requirements do not become "moot" because
 15 there might be a claim that might be based upon one of several, cognizable legal theories.
 16 FreecycleSunnyvale respectfully requests this Court to dismiss TFN's § 43(a) unfair competition
 17 counterclaim.

18 **4. TFN's Opposition Does Not Cure TFN's Lack Of Allegations Of A**
 19 **Protectable Trademark Interest Or Likelihood Of Consumer**
 20 **Confusion Or Deception For Any Of TFN's Trademark**
 21 **Counterclaims**

22 At different points in its Opposition, TFN recognizes that its trademark counterclaims
 23 must allege the fundamental elements that TFN has a protectable trademark interest and that
 24 consumers likely will be confused or misled. For example, TFN argues that, "[TFN] is the sole
 25 owner of the *inherently* distinctive and protectable Marks." Opposition 11:15-16 (emphasis
 26 added). TFN argues that, "[TFN] has made the necessary showing that its Marks are
 27 'distinctive,' or have acquired secondary meaning." Opposition 7:1-3. TFN also argues that,
 28 "Using [TFN]'s Marks without permission will inevitably cause confusion among consumers as

1 to the origin of the services and the affiliation of [FreecycleNetwork] to [TFN].” Opposition
2 11:22-26.

3 The first problem is that these arguments are not allegations that appear in TFN’s
4 counterclaims. While TFN does allege that it has a “distinctive” trademark, TFN does not allege
5 that its alleged trademarks are *inherently* distinctive. Answer and Counterclaim ¶ 67. Nowhere
6 does TFN allege that its alleged trademarks have acquired distinctiveness because consumers
7 associate TFN’s alleged trademarks with a single source of products or services. TFN does
8 allege that FreecycleSunnyvale’s use of TFN’s alleged trademarks “are likely to cause
9 confusion,” but that allegation appears only in TFN’s counterclaim under § 32(1) that, as noted
10 already, TFN does not have standing to bring. Answer and Counterclaim ¶ 74.

11 The second problem is that TFN’s references to other allegations do not salvage its
12 trademark counterclaims. The United States Patent and Trademark Office (“USPTO”) followed
13 statutorily mandated procedures and published TFN’s alleged trademarks in the Official Gazette
14 for opposition. Opposition 2:11-14. That fact is legally irrelevant to the question of whether
15 TFN has a protectable trademark interest. 15 U.S.C. §§ 1062, 1063.² TFN argues that it has
16 goodwill. Opposition 11:20-21. TFN, however, cites no case which holds that business
17 goodwill is relevant to showing that a trademark is inherently distinctive or has acquired
18 distinctiveness because consumers associate a product or service name with a single source.

19 TFN’s trademark counterclaims have not alleged sufficient facts to state a claim for relief
20 based upon its alleged trademarks because TFN has not alleged that it has a protectable
21 trademark interest or that FreecycleSunnyvale’s use of the generic term “freecycle” is likely to
22 confuse or mislead consumers. FreecycleSunnyvale respectfully requests this Court to dismiss
23 TFN’s trademark counterclaims.

24
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27 ² Similarly, the fact that TFN may have a trademark registration in Germany is legally
28 irrelevant to TFN’s trademark rights in the United States. Opposition 7:25-26 at n.2.

1 **C. The Record Submitted By The Freecycle Network, Inc., Confirms That Its**
 2 **State-Law Claim Arises From Protected Free Speech Activity And That TFN**
 3 **Is Not Likely To Succeed**

4 In its Opposition, TFN makes factual arguments against FreecycleSunnyvale’s motion to
 5 strike TFN’s state-law counterclaim under California’s anti-SLAPP statute, Cal. Code. Civ. Proc.
 6 § 425.16. TFN’s factual arguments are refuted by the record on which TFN relies.

7 First, TFN protests that, “speech activities by Mr. Oey in a distinct and unrelated
 8 [Arizona] action do not form the basis of [TFN]’s California unfair competition counterclaim
 9 against [FreecycleSunnyvale].” Opposition 14:12-14. This argument is refuted by comparing
 10 the positions that TFN takes in both actions. In this action, TFN’s state-law counterclaim adds
 11 no new factual allegations but, instead, incorporates allegations from its trademark
 12 counterclaims. Answer and Counterclaim ¶ 78. In this action, TFN argues that its trademark
 13 counterclaims against FreecycleSunnyvale are based upon three of Tim Oey’s email postings to
 14 online groups. Opposition 9:11-18. In the Arizona action, the same, three email postings that
 15 TFN attributes to FreecycleSunnyvale in this action are attached to TFN’s Complaint against
 16 Tim Oey. *Compare* Bandyopadhyay Decl. ¶ 5, Exhibits 5, 6, 7 (filed in support of TFN’s
 17 Opposition in this action) *with* Arizona Complaint, Exhibits E, F, G.³ TFN’s counterclaims in
 18 this action and its complaint in Arizona arise from the same set of facts that TFN chooses to
 19 define by the same three email postings.

20 Second, TFN protests that, rather than engaging in free speech activities,
 21 FreecycleSunnyvale actually seeks “to reap a commercial advantage for itself – that is, to
 22 promote its own services.” Opposition 13:19-20. This argument is refuted by examining the
 23 audiences to whom Tim Oey and, by attribution, FreecycleSunnyvale directed the contested
 24 email postings. Exhibit 5 to the Declaration of Esha Bandyopadhyay is an email from Paula
 25 Spencer, a senior TFN volunteer, along with emails from Tim Oey to Freedomcycle and
 26 FreecycleNext. Freedomcycle is a freecycling network that was founded by a former senior TFN

27 ³ Accompanying FreecycleSunnyvale’s motions to dismiss and strike was a request that
 28 this Court take judicial notice of court records of TFN’s Arizona action. Attached to that
 request, at Exhibit B, is a true and correct copy of the Complaint and its exhibits.

1 volunteer who was asked to leave TFN after disagreeing with Deron Beal, TFN's Executive
2 Director. FreecycleNext is an online group where TFN volunteer moderators discuss the future
3 of freecycling. Exhibit 6 is an email to both Chandan Mishra, a FreecycleSunnyvale volunteer
4 moderator, and Deron Beal. Exhibit 7 is an email to fcnext, which is another name for
5 FreecycleNext. Declaration of Tim Oey in Support of Reply ¶¶ 2-6 (filed May 26, 2006). None
6 of these emails are directed to consumers from whom FreecycleSunnyvale might obtain a
7 'commercial advantage.'

8 Third, TFN protests that, "the acts upon which [TFN]'s California unfair competition
9 counterclaim are based were not taken by [FreecycleSunnyvale] 'in furtherance of' its right of
10 petition or free speech." Opposition 13:16-18. FreecycleSunnyvale respectfully asks this Court
11 to inspect the three contested emails, which speak for themselves and refute TFN's argument.
12 There, this Court will find that Tim Oey and, by attribution, FreecycleSunnyvale encourage
13 others to continue to use "freecycle" as a generic term, encourage others to write to the USPTO
14 if they object to TFN's trademark registration application, and encourage others to complain to
15 Yahoo! Corporation if online groups are deleted at TFN's request. This Court will also find that
16 Tim Oey and, by attribution, FreecycleSunnyvale criticize Deron Beal's refusal to allow
17 discussion and voting on TFN's misguided trademark policies. These are the kinds of free
18 speech activities that are protected by California's anti-SLAPP law.

19 Fourth, TFN protests that the alleged acts of unfair competition do not involve "an issue
20 of public interest." Opposition 14:2. This argument is refuted by the Declaration of Ashley L.
21 Kirk, of which TFN asked this Court to take judicial notice.⁴ In that declaration, Ashley Kirk
22 states that recent Google searches found "magazine articles critical of [TFN]," a "blog critical of
23 [TFN]," and "several pages of discussion groups critical of [TFN]." Kirk Decl. ¶ 4. Tim Oey
24 and, by attribution, FreecycleSunnyvale are among a large public who have an interest in TFN
25 and are engaged in free speech activities.

26
27 ⁴ The Kirk Declaration is attached as Exhibit 3 to TFN's Request for Judicial Notice that
28 was filed in support of its Opposition.

