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UNITED STATES DISTRICT COURT

NORTHERN DISTRICT OF CALIFORNIA

PETROLIAM NASIONAL BERHAD, Plaintiff, vs. GODADDY.COM, INC., Defendant.	CASE NO.: 09-CV-5939 PJH **GO DADDY'S OPPOSITION TO PETRONAS'S MOTION UNDER FED. R. CIV. P. 54(D)(1) FOR THE COURT TO REVIEW THE CLERK'S ACTION TAXING COSTS** Date: May 16, 2012 Time: 9:00 a.m. Courtroom: 3 Honorable Phyllis J. Hamilton

Defendant GoDaddy.com, Inc. ("Go Daddy") respectfully submits this Opposition to the Motion of Plaintiff Petroliam Nasional Berhad ("Petronas") under Federal Rule of Civil Procedure 54(d)(1) for the Court to review the Clerk's action taxing costs filed April 11, 2012 ("Motion to Review").

After successfully defending an untenable lawsuit over a period of two years—culminating in this Court's grant of Go Daddy's Motion for Summary Judgment on January 3, 2012 (*see* Dkt. 158)—Go Daddy filed a Bill of Costs on February 29, 2012 ("Bill of Costs"). *See* Dkt. 175. The Bill of Costs sought to recover a mere fraction of the financial outlays Go Daddy incurred in defending itself against Petronas's claims. Petronas filed objections to the Bill of Costs on March 14 (*see* Dkt. 176), and Go Daddy responded on March 16. *See* Dkt. 177. On March 28, 2012, pursuant to 28 U.S.C. Section 1920 and Civil Local Rule 54-3, the Clerk of the Court correctly awarded costs to be taxed in the amount of $13,697.63 in favor of Go Daddy. *See* Dkt. 180. Petronas's Motion to Review is an unnecessary and unfounded attempt to evade responsibility for expenses imposed upon Go Daddy due to Petronas's decisions and actions in prosecuting this lawsuit.[1] Accordingly, Go Daddy respectfully requests that the Clerk's taxing of costs in the amount of $13,697.63 be upheld.

I. THE CLERK'S AWARD OF COSTS IN FAVOR OF GO DADDY IS APPROPRIATE

Title 28 U.S.C. Section 1920 authorizes a judge or clerk of the district court to tax costs. Pursuant to Federal Rule of Civil Procedure 54(d), costs (other than attorney's fees) should be awarded to a prevailing party unless a statute, rule, or court order provides otherwise. Fed. R. Civ. P. 54(d)(1). "Rule 54(d) creates a presumption in favor of awarding costs to prevailing parties, and it is incumbent upon the losing party to demonstrate why the costs should not be awarded." *Stanley v. Univ. of So. Cal.*, 178 F.3d 1069, 1079 (9th Cir. 1999). "The party objecting to the assignment of costs bears the burden of overcoming the presumption and establishing why the

[1] Petronas's intention to litigate at every opportunity is further demonstrated by its March 16, 2012 notice of appeal to the United States Court of Appeals for the Ninth Circuit. *See* Dkt. 178.

prevailing party is not so entitled." *Van v. Wal-Mart Stores, Inc.*, No. 5:08-CV-05296, 2012 WL 174944, at *5 (N.D. Cal. Jan. 20, 2012). Should the Court refuse to tax costs to the losing party, it must give specific reasons for so doing. *Save Our Valley v. Sound Transit*, 335 F.3d 932, 944-45 (9th Cir. 2003). However, the Court "need not give affirmative reasons for awarding costs; instead, it need only find that the reasons for denying costs are not sufficiently persuasive to overcome the presumption in favor of an award." *Id*. Here, the reasons offered by Petronas in support of its request to vacate the entire amount of costs taxed in favor of Go Daddy are not sufficient.

Due to the significant burden faced by a losing party seeking to avoid assignment of costs by the Court, a mere identification of factors that could support a refusal to tax costs does not compel the Court to do so. *See Wal-Mart Stores* at *5-6 ("[A]ssuming the accuracy of [plaintiff's] statements regarding her limited financial resources and the complexity and merits of her case, the court does not find these reasons sufficient to overcome the presumption under Rule 54(d)(1)."). Even the cases cited by Petronas in its Motion to Review are reflective of how high the hurdle is. *See Save Our Valley* at 946 (upholding district court's taxing of costs despite the fact that plaintiffs' case raised "issues of great public importance… to civil rights plaintiffs everywhere," legal questions that are "close and complex," and a "major question" over which "the circuits are split"); *Quan v. Computer Sciences Corp.*, 623 F.3d 870, 889 (9th Cir. 2010) (reversing and remanding district court's decision not to tax costs).

Furthermore, the two cases cited by Petronas where a losing party actually succeeded in having costs denied fundamentally differ from this case. In *Association of Mexican-American Educators v. State of California* and *Stanley v. University of Southern California*, the plaintiffs in both cases were individuals and/or nonprofit organizations possessing limited financial resources who asserted important civil rights claims. *See Association of Mexican-American Educators v. State of California*, 231 F.3d 572, 593 (9th Cir. 2000) ("This is an extraordinary, and extraordinarily important, case. Plaintiffs are a group of individuals and nonprofit organizations. The record demonstrates that their resources are limited."); *Stanley v. University of Southern California*, 178 F.3d 1069, 1079 (9th Cir. 1999) (remanding denial of motion to re-tax costs

"particularly based on. . . two factors: Stanley's indigency, and the chilling effect of imposing such high costs on future civil rights litigants"); *see also Save Our Valley* at 945 (noting that "*Stanley* only held that, in the rare occasion where severe injustice will result from an award of costs (such as the injustice that would result from an indigent plaintiff's being forced to pay tens of thousands of dollars of her alleged oppressor's legal costs), a district court abuses its discretion by failing to conclude that the presumption has been rebutted"). In light of Petronas's reported revenues of more than $62.5 billion for fiscal year 2010 (*see* Petronas: Financial Results webpage at *http://www.petronas.com.my/investor-relations/Documents/financial-results/FullYearEnded20100331-USD.pdf* (last visited April 17, 2012)), it is hard to fathom that Petronas's circumstances could ever be deemed comparable to those of plaintiffs possessing limited financial resources or worthy of similar accommodation by the Court. *See Stanley* at 945 ("A district court deviates from natural practice when it refuses to tax costs to the losing party"). Petronas's naked assertions are not sufficient to overcome the presumption costs are appropriate, and do not entitle Petronas to avoid responsibility for the taxable costs it forced Go Daddy to incur. *See Mou v. City of San Jose*, No. C 07-5740, 2010 WL 1486039, at *1 (N.D. Cal. April 13, 2010).

After all, Petronas's expensive and protracted lawsuit was completely unnecessary. Petronas sued Go Daddy after Go Daddy informed Petronas that it could not take action against a website hosted by a third party based on Petronas's trademark claim directed at the underlying domain name. *See* Declaration of Jessica Hanyen in Support of Go Daddy's Motion for Summary Judgment ("Hanyen Decl."), Exs. 8, 10. Rather, as Go Daddy promptly responded, such a dispute is properly addressed pursuant to the Uniform Domain Name Dispute Resolution Policy ("UDRP") (*see id*.), which all domain name registrars are required to follow and which sets forth an expedited and inexpensive arbitration process for such disputes. *See* Declaration of Michael D. Palage in Support of Go Daddy's Motion for Summary Judgment, ¶¶ 64, 65, 69.[2] Had Petronas

[2] *See also Am. Girl, LLC v. Nameview, Inc.*, 381 F. Supp. 2d 876, 883 (E.D. Wis. 2005) ("The UDRP is an administrative alternative dispute resolution policy which creates a procedure specifically designed to provide a fast and cheap means for resolving domain name disputes. . .

(continued...)

initiated the UDRP arbitration proceeding at that time, Petronas would have likely obtained ownership of the petronastower.net domain name within 60 days at a cost of less than $10,000, inclusive of attorneys' fees and filing fees. *See Id.* ¶ 82. Instead, Petronas made the conscious choice to ignore the UDRP arbitration process—which it had successfully utilized on four previous occasions (*id.* ¶ 70)—and pull Go Daddy into a financially draining litigation that would carry on for two years prior to Go Daddy's eventual vindication in summary judgment.

Furthermore, Petronas litigated the case in a manner that was overly aggressive and unwarranted under the circumstances. The disputed domain names—petronastower.net and petronastowers.net ("Disputed Domains")—were initially registered by a third party through a different registrar, eNom, on May 8, 2003. *See* Declaration of John Slafsky in Support of Go Daddy's Motion for Summary Judgment ("Slafsky Decl."), Exs. 3-4. Both Disputed Domains were pointed at an IP address associated with a pornographic website as early as May 29, 2004. *Id.* ¶ 6 & Exs. 1-5. Four years later, on April 1, 2007, then registrant Heiko Schoenekess transferred the Disputed Domains from eNom to Go Daddy. Mr. Schoenekess used Go Daddy's online dashboard to automatically forward the internet traffic for the Disputed Domains to the same pornographic website they had been associated with in past years. Declaration of John Roling in Support of Go Daddy's Motion for Summary Judgment, ¶ 15 & Ex. 4; Slafsky Decl., ¶ 6 & Exs. 1-5. Two years later—despite the Disputed Domains by this time having been in public use in connection with pornographic material for more than five years without any prior objection by Petronas—Petronas took the extreme measure of bringing a Motion for a Temporary Restraining Order ("TRO") against Go Daddy on December 18, 2009. *See* Dkt. 2. Petronas made this extraordinary request to the Court notwithstanding the passage of five years and the availability of far more expedient and cost-effective resolution processes (discussed above). Go Daddy successfully opposed the TRO on December 23, 2009. *See* Dkt. 21. However, Go Daddy fully cooperated with Petronas to the fullest extent possible by promptly facilitating *in rem*

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[and] most likely will provide plaintiff with effective relief faster than any procedure available to this court.").

transfers of the Disputed Domains at the soonest possible dates – enabling Petronas to secure control of petronastower.net as early as May 18, 2010 and petronastowers.net as early as August 30, 2010. *See* Hanyen Decl., ¶¶ 24, 27.

Inexplicably, Petronas persisted in litigating its claims following the resolution of the *in rem* actions. Petronas continued to subject Go Daddy and the Court to the burdens of litigation for an additional 16 months despite the only potential legal remedy available being a far-fetched statutory damages claim under the ACPA. *See* 15 U.S.C. § 1117(d). Indeed, during depositions and in response to written discovery demands, Petronas was unable to state for the record *any* harm it suffered in connection with the Disputed Domains, and even admitted that it was not aware of a single complaint about the Disputed Domains from customers. Slafsky Decl., Ex. 9 (Gaik, 55:5-16).

Furthermore, the assertion in Petronas's papers that questions in this case were "close" is highly misleading. The statutory immunity provided to domain name registrars under the ACPA is long established and widely recognized. *See* Palage Decl., ¶ 84 (the effect of Petronas succeeding on its claims would be "the doing away with over a decade of established law shielding registrars from liability in cybersquatting disputes like this one"); *see also* Brief for Amicus Curiae Enom, Inc., 8 ("To hold GoDaddy liable for maintaining the third-party registration of 'petronastower.net' and 'petronastowers.net,' and for implementing a domain forwarding function set up by the registrant, would run contrary to existing case law and create an unsupported narrowing of the blanket exception applied to registrars under the ACPA."); Brief of Networks Solutions LLC and Register.com, Inc. as Amici Curiae in Support of Defendant GoDaddy.com's Motion for Summary Judgment, 8 (if the Court holds that routing is not protected under the ACPA immunity, "[t]he practical impact. . . would be to impose substantial liability on domain name registrars who have traditionally considered routing a core function."). Overturning the existing law regarding domain names—on which registrars have long relied in the conduct of their business—would have had a devastating impact on the Domain Name System Industry and adversely affected millions of consumers. *See Id.* at 6-7 ("A finding of this Court that the provision of routing services. . . is outside the ACPA's safe harbor provision, would. . . stifle the

registrar industry by causing a wholesale overhaul of the current registration process. . . This overhaul would have a chilling effect on commerce and undoubtedly result in an industry-wide increase in the fees associated with registration in order to offset potential liability.").

For the reasons stated above, the presumption favoring an award of costs to Go Daddy pursuant to Federal Rule of Civil Procedure 54(d) is not overcome.

II. THE SPECIFIC COST ITEMS AWARDED BY THE CLERK IN FAVOR OF GO DADDY ARE APPROPRIATE

Petronas has requested that the Court deny and/or reduce the costs awarded by the Clerk for Items 4-6, 8-10, and 14-36 of Go Daddy's Bill of Costs. Petronas's objections to these specific cost items ignore the testimonial and documentary evidence presented in Go Daddy's Bill of Costs (*see* Bill of Costs, Exs. A, C) and demonstrate an erroneous understanding of Civil Local Rule 54. Petronas's request should be denied.

A. Deposition Transcripts

Civil Local Rule 54-3(c)(1) provides that, with respect to deposition transcripts, "[t]he cost of an original and one copy of any deposition (including videotaped depositions) taken *for any purpose* in the case" is recoverable (emphasis added). Petronas's objection to a recovery of costs for the September 15, 2011 deposition of Ms. Yeoh Suat Gaik "because [Ms. Gaik] was deposed. . . on issues related to GoDaddy's counterclaim for trademark cancellation" (Spec. Obj. to Item 4) is indefensible. As Petronas's Rule 30(b)(6) witness, deposing Ms. Gaik was critical to mounting an effective defense to the claims asserted by Petronas in this litigation. *See* Bill of Costs, Ex. A (Declaration of Joseph G. Fiorino in Support of Go Daddy's Bill of Costs ("Fiorino Decl.")) ¶¶ 4, 7. The Gaik deposition was essential for Go Daddy to assess the merits of Petronas's claims against it. *Id.* ¶ 4; *see also, e.g.*, Slafsky Decl., Ex. 9 (Gaik, 55:5-16) (admitting that Petronas was not aware of any complaints from customers regarding the Disputed Domains). Information obtained during the Gaik deposition was utilized by Go Daddy in its successful motion for summary judgment. *See, e.g.*, Go Daddy's Motion for Summary Judgment, 7, 17. Since the costs of a deposition "taken for any purpose in the case"—such as for a pivotal summary

judgment motion—are recoverable under Civil Local Rule 54-3(c)(1), the Clerk's award of costs for Item 4 of Go Daddy's Bill of Costs is proper.

Petronas also incorrectly objects to certain necessary costs involved in the taking of depositions, including court reporter charges for rough drafts (Spec. Objs. to Items 4-6, 8-10), shipping and handling costs (Spec. Objs. to Items 4-6, 8-10), and expedited processing (Spec. Objs. to Items 5, 6, 10). It is common practice for court reporters to provide an invoice for a deposition transcript listing the various services that go into processing of that transcript. These natural costs—such as for rough disks (aka rough drafts), delivery, and expedited services—tied to the transcribing of depositions are recoverable. *See Service Employees Intern. Union v. Russel*, No. C 09-00404, 2010 WL 4502176, at *3-4 (N.D. Cal. Nov. 1, 2010) (overruling objections to reporter's invoices listing "'rough disk' fees, 'expedited' services charges, parking reimbursements, charges for court reporter 'waiting time,' charges for court reporter 'before/after hours,' delivery costs, appearance and travel fees, "video digitizing to DVD[s]," and 'video synchronizing'"; awarding over $200,000 in costs).

B. Exemplification and Reproduction of Documents

Petronas's objections to the Clerk's award of costs for Items 14-36 relating to the reproduction and exemplification of documents is without merit. Under Civil Local Rule 54-3(d)(2), "[t]he cost of reproducing disclosure or formal discovery documents when used for any purpose in the case is allowable." As indicated in the Itemized Bill of Costs and the Fiorino Decl., charges for reproduction were incurred to reproduce discovery documents, several of which were also reproduced for use in depositions. *See* Bill of Costs, Ex. A ¶ 8; Ex. B, Items 14-36. Petronas cites to no legal authority to support its insistence that Go Daddy must go further and specifically identify each of the documents that were reproduced or "blown back." *See* Spec. Objs. to Items 19, 20, 22-24, 31-33, 36.

Similarly, Petronas wrongly objects to costs for certain processes required to produce electronic documents in response to Petronas's own discovery demands, including costs for the conversion of files (Spec. Obj. to Items 18, 35), scanning (Spec. Obj. to Item 34), image endorsing (Spec. Objs. to Items 34, 35), and assistance of electronic document technicians (Spec.

Objs. to Items 14-17, 21, 22, 30, 32-35). Over the course of the litigation Petronas served 57 document requests on Go Daddy, requiring the Company to convert and reproduce documents from multiple electronic databases to meet its discovery obligations. The costs associated with reproduction of such discovery documents are recoverable under Rule 54-3(d)(2). *See Parrish v. Manatt, Phelps & Phillips, LLP*, No. C 10-03200, 2011 WL 1362112, at *2 (N.D. Cal Apr. 11, 2011) (holding that costs incurred for "reproduction, scanning, [conversion,] and imaging of client documents 'for review and potential production' or 'for initial production'. . . are properly recoverable"); *In Re: Online DVD Rental Antitrust Litigation*, No. 4:09-md-02029, Dkt. 615, at 2 (N.D. Cal. April 20, 2012) (declining to disallow clerk's taxation of costs based on plaintiffs' objections to "TiFF conversion costs; copying/"blowback" costs purportedly not documented; document productions purportedly not delivered; [and] professional fees re visual aids"); *Cargill Inc. v. Progressive Dairy Solutions, Inc.*, No. CV-F-07-0349, 2008 WL 5135826, at *6 (E.D. Cal. Dec. 8, 2008) (where "case management was done electronically because of the volume of documents, [and] scanning of documents was necessary to provide an adequate defense to the several motions and trial presentation," such costs were recoverable); *Hecker v. Deere & Co*., 556 F.3d 575 (7th Cir. 2009) (finding no abuse of discretion in district court awarding costs to defendant in the amount of $164,814.43 for converting computer data into readable format in response to plaintiffs' discovery requests). In addition, Go Daddy has made a conscious effort to be conservative in seeking costs for reproduction by only submitting the invoices of outside vendors for recovery. *See* Bill of Costs, Ex. C at 15-37. Go Daddy has foregone seeking the photocopying costs charged by its counsel Wilson Sonsini Goodrich & Rosati, in order to specifically avoid seeking the cost of reproducing copies of motions, pleadings, notices, and other routine case papers.

Petronas also implies that Go Daddy has improperly recovered costs for the assistance of electronic document technicians in connection with the reproduction of electronic documents. *See* Spec. Objs. to Items 14-17, 21, 22, 30, 32-35. This is incorrect, and Petronas fails to cite to any legal authority involving electronic document technicians to support this point. Instead, Petronas relies on cases that predate the era of e-discovery and that deal with the unrelated matters of costs

for obtaining documents from a copyright office (*see Zuill v. Shanahan*, 80 F. 3d 1366 (9th Cir. 1996)) and expert witness expenses. *See Romero v. City of Pomona*, 883 F.2d 1418 (9th Cir. 1989). Furthermore, the "intellectual effort" described by the court in *Romero*—and rejected as a recoverable cost—is a reference to an expert witness's preparation of various documents' contents. *See Romero* at 1428. Similarly, in *Zuill*, "intellectual effort" is a reference to attorneys' fees charged for helping prepare a production. *See Zuill* at 1371. In contrast, Go Daddy's Bill of Costs does not seek any recovery for its attorneys' time in reviewing or preparing documents for production or for the analysis of expert witnesses, only the necessary time spent by e-discovery technicians in facilitating the reproduction of electronic documents. *See* Bill of Costs, Ex. C at 15-18, 22, 23, 31, 33-36.

For the reasons stated above, Go Daddy respectfully requests that the Clerk's award of $13,697.63 in taxable costs in favor of Go Daddy be upheld.

Dated: April 25, 2012

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