PERRY R. CLARK, State Bar No. 197101
LAW OFFICES OF PERRY R. CLARK
825 San Antonio Road
Palo Alto, CA 94303
Telephone: (650) 248-5817
Facsimile: (650) 618-8533
perry@perryclarklaw.com
Attorney for Plaintiff
PETROLIAM NASIONAL BERHAD (PETRONAS)

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
OAKLAND DIVISION

PETROLIAM NASIONAL BERHAD (PETRONAS),
Plaintiff,

vs.

GODADDY.COM, INC.,
Defendant.

CASE NO: 09-CV-5939 PJH (MEJ)

Noticed Hearing Date: May, 16, 2012
Noticed Hearing Time: 9:00 a.m.

REPLY BRIEF IN SUPPORT OF PLAINTIFF'S MOTION UNDER FED. R. CIV. P. 54(D)(1) FOR THE COURT TO REVIEW THE CLERK'S ACTION TAXING COSTS

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INTRODUCTION

Although they are factors that the Ninth Circuit has held support the denial of costs, GoDaddy does not squarely address the facts in Petronas's opening brief demonstrating "the merits of Plaintiff's case" and showing that the issues in this case were "close and difficult." Instead, GoDaddy focuses on Petronas's lack of financial hardship (which Petronas never claimed) and Petronas's decision to pursue *in rem* actions rather than UDRP proceedings (which is irrelevant to the issue of GoDaddy's cybersquatting liability in this case). And GoDaddy all but concedes, as it must, the third factor identified by Petronas that supports the denial of GoDaddy's costs—"the importance and complexity of the issues."

Even if GoDaddy had shown that the Ninth Circuit factors identified by Petronas do not warrant denying its costs, GoDaddy fails to overcome Petronas's specific objections. As an initial matter, GoDaddy simply ignores Petronas's objections to Items 6 and 22-28. And for the remaining items, GoDaddy either misstates the applicable law—such as by claiming that it is entitled to the cost of a rough draft of a deposition transcript in addition to the cost of an original and one copy—or mischaracterizes Petronas's objections—such as by claiming that Petronas's objections to "technician time" are objections to the costs of producing documents electronically.

Finally, if GoDaddy is awarded any costs at all, Petronas respectfully requests that payment be stayed pending appeal or, at least, for a reasonable period of time to allow Petronas to process payment through its accounting systems.

ARGUMENT

I. GoDaddy Is Not Entitled To Recover Any Costs

Three reasons for denying costs identified by the Ninth Circuit warrant the denial of GoDaddy's costs in this case: (1) "the importance and complexity of the issues," (2) that the "issues were close and difficult," and (3) "the merit of the plaintiff's case, even if the plaintiff loses." *Ass'n. of Mex.-Am Educators v. California*, 231 F.3d 572, 592-93 (9th Cir. 2000) (*en banc*).

On the first factor, GoDaddy does not dispute this Court's assessment that "this is a, it seems to me, a pretty important case and the policy issues argued by both sides are pretty significant." Ex. A[1] (December 7, 2011 Tr. at 39:15-17). And GoDaddy agrees with the statements in the *amicus* briefs that the issues in this case "have significant ramifications beyond the parties in this action." Ex. B (eNom's Motion for Leave to File *Amicus* Brief (Doc. No. 111) at 1:12-13); Ex. C (Network Solutions Motion for Leave to File *Amicus* Brief (Doc. No. 125) at 1:14-15).

Instead of substantively disputing the importance of the case and the issues raised, GoDaddy makes two irrelevant and unavailing arguments. First, GoDaddy argues that "it is hard to fathom that Petronas's circumstances could ever be deemed comparable to those of plaintiff's possessing limited financial resources." Opp. At 3:9-11. This argument is irrelevant, however, because Petronas never contended its resources were limited and, in any event, a party is not required to have limited resources in order to challenge an award of costs.

GoDaddy's second argument—that this case was "unnecessary" because "[h]ad Petronas initiated a UDRP 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"—is simply incorrect. *Id*. at 3:25-2. A proceeding under the UDRP would have had no bearing on GoDaddy's liability for contributory cybersquatting and, as such, Petronas's decision to pursue *in rem* actions rather than UDRP proceedings has nothing to do with whether this case was "unnecessary" or not. GoDaddy's argument does highlight, however, what would have truly made this case "unnecessary." Specifically, ***this case would have been unnecessary if GoDaddy had simply stopped providing its domain name forwarding service to a customer that was obviously cybersquatting on Petronas's trademarks.*** Instead, GoDaddy insisted on continuing

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[1] Unless otherwise stated, all references to "Ex. _" are to the Declaration of Perry Clark (Doc. 187) filed in support of Petronas's Opening Brief.

to provide it services to its cybersquatting customer ***even after this Court ordered GoDaddy to transfer the first disputed domain name to Petronas under the cybersquatting statute.***

Second, with respect to the "closeness of the case" factor, GoDaddy argues that "the assertion in Petronas's papers that questions in the case we 'close' is highly misleading" because "[t]he statutory immunity provided to domain name registrars is long established and widely recognized." Opp. at 5:12-14. That GoDaddy would make such an argument is surprising to the same extent the argument itself is utterly without merit. As Petronas pointed out in its opening brief, GoDaddy's lawyers repeatedly argued that GoDaddy's "forwarding service" was an "act of registration of a domain name" and thus protected by a statutory safe harbor. But this assertion was repeatedly proven false by the testimony of GoDaddy's own witnesses, including GoDaddy's Vice President Ronald Hertz who testified as a Fed. R. Civ. P. 30(b)(6) witness that "I don't believe the domain name forwarding service relates at all to the registration of the domain name." Ex. H at 13:10-12 (Hertz Deposition). GoDaddy never addresses this testimony nor tries to explain how the complete failure of its safe harbor defense means this case was not—at least—"close." And GoDaddy simply ignores (1) the Court's statement that "I am having real difficulty trying to figure out what I am supposed to do with this cause of action," (Ex. A (December 7, 2011 Tr. at 33:15-18); (2) that the Court ordered supplemental briefing on the contributory cybersquatting cause of action because it was close and difficult; and (3) that the Court's summary judgment decision splits with the decisions of all four of the other district courts that have considered the issue. Opening Brief at 2-3.

Finally, GoDaddy does not directly address the third factor— the "merit of plaintiff's case, even if plaintiff loses." As such, even if GoDaddy were correct that the case was not "close"—which it is not for the reasons outlined above—the merit of Petronas's case would nonetheless justify the denial of GoDaddy's costs.

II. Specific Items of Costs

Assuming solely for purposes of the remainder of this reply brief that GoDaddy is entitled to any costs at all—which it is not—the specific items of costs discussed below should not be awarded.

As an initial matter, however, it is worthwhile to point out the items of costs to which GoDaddy concedes it is not entitled. First, GoDaddy does not dispute the Clerk's action disallowing Items[2] 1-3 and 11-13 which were "[c]osts for video and court transcripts" (Doc. 180 at 2). Second, GoDaddy did not respond to Petronas's objections to Items 6 (for "ASCII & Condensed") and 25-28 in its opposition brief in response to the present motion, thus conceding that those costs should not be taxed.

For its part, Petronas did not object to the Clerk's taxation of GoDaddy's Items 7 and 37. In addition, Petronas withdraws its objections to the costs for "file conversion" in Items 18 and 35, "scanning" in Item 34, and "image endorsing" in Items 34 and 35.

A supplemental proposed order is filed concurrently with this reply for the Court's convenience.

A. Deposition of Yeoh Suat Gaik—Item 4

GoDaddy does not dispute that it did not prevail on its claim for trademark cancellation and does not base its request for costs associated with the transcript of Ms. Gaik's deposition on that cause of action—nor could it. GoDaddy not only voluntarily dismissed its trademark cancellation cause of action without prejudice rather than take it to trial, it also abandoned its cancellation action in the Trademark Office. As the Court will recall, GoDaddy dismissed its trademark cancellation claim in this Court after losing on summary judgment so it could "prosecute the remainder of that claim in the TTAB [Trademark Office] proceeding" which "was

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[2] References to "Item __" or "Items __" are to the items listed in Ex. B to GoDaddy's Bill of Costs (Doc. No. 175-2), attached as Ex. F to the Declaration of Perry Clark (Doc. 187) filed in support of Petronas's Opening Brief.

suspended in deference to this lawsuit." Doc. 174 (February 16, 2012 Final Judgment). But despite the fact that the TTAB's order suspending its proceeding required that "[w]ithin twenty days after the final determination of the civil action, the interested party should notify the Board so that this case may be called up for appropriate action," GoDaddy has done nothing. Ex. 1 to the Clark Declaration filed with this Reply (June 7, 2011 TTAB order at 2-3). In so doing, GoDaddy not only did not prevail on its trademark cancellation claim in this Court—it also abandoned that claim in the Trademark Office.

Instead of claiming that it is entitled to costs for the Gaik deposition based on its trademark cancellation claim, GoDaddy asserts that it is entitled to those costs because the deposition "was essential for GoDaddy to assess the merits of Petronas's claims against it." Opp. at 6:22-23. According to GoDaddy, the deposition was "essential" to its defense of Petronas's claims because Ms. Gaik said that she "was not aware of any complaints from customers regarding the Disputed Domains." *Id*. But GoDaddy fails to explain why it would be relevant whether or not Ms. Gaik was aware of any complaints from customers regarding the Disputed Domains. Indeed, nothing in the relevant statute, 15 U.S.C. § 1125(d), or the relevant case law requires that a plaintiff prove it suffered damage from the cybersquatting. To the contrary, the statute provides—and Petronas only sought—statutory damages based entirely on the number of domain names involved in the cybersquatting. 15 U.S.C. 1117(d). As such, GoDaddy is simply wrong that the purpose of this deposition related in any way to Petronas's claims, much less that it was "essential" to GoDaddy's defense of those claims, and GoDaddy should not be awarded any costs for Item 4.

B. Deposition "Rough Drafts"—Items 4, 5, 6, 8, 9, and 10

GoDaddy should not be awarded its costs for a "rough drafts" of the deposition transcripts associated with Items 4, 5, 6, 8, 9, and 10 because Civil L.R. 54-3(c)(1) only permits the Clerk to tax "[t]he cost of an original and one copy of any deposition." The invoices for the depositions in Items 4, 5, and 6 list charges for a "rough draft" *in addition to* the "Original + One

Electronic Copy of Transcript." Ex. G at 5, 6, and 7 (Invoices included in Ex. C to GoDaddy's Bill of Costs (Doc. 175-3)). As such, allowing GoDaddy's costs for a "rough draft" in addition to the "Original + One Electronic Copy of Transcript" of these transcripts would award GoDaddy its costs for three copies of the deposition transcripts, rather than the cost of two copies provided under the Local Rules.

In addition, GoDaddy should not recover any costs for "Rough Draft[s]" in Items 8, 9, and 10 because they are tantamount to costs incurred for "expedited" transcripts, which are not allowable. *In re Online DVD Rental Antitrust Litigation*, 2012 WL1414111 (N.D. Cal. 2012) ("Costs for R[ough]ASCII transcripts are not recoverable, since they are tantamount to fees for expedited deposition transcripts."). Nor are they costs for "an original and one copy" as contemplated by Civil L.R. 54-3(c)(1) because the $1.50 per page "Rough Draft" fee is for a document that is—by definition—not an "original" transcript and not suitable for submission as evidence at trial or use in connection with motions to the Court.

C. Deposition "Shipping and Handling"—Items 4, 5, 6, 8, 9, and 10

GoDaddy argues that "shipping and handling" is one of the "natural costs—such as for rough disks (aka rough drafts), delivery, and expedited services—tied to the transcribing of depositions [that] are recoverable." Courts in the Northern District of California, however, have routinely held that "shipping and handling" costs beyond first-class mail are not recoverable. *City of Alameda, Cal. v. Nuveen Mun. High Income Opportunity Fund*, 2012 WL 177566*3 (N.D. Cal. 2012) ("[t]he normal practice in the Northern District [of California] is to disallow any postage and handling charges that exceed the rate of regular first-class mail plus handling.") (Illston, J.); *Meier v. U.S.*, 2009 WL 982129 *2 (N.D. Cal. 2009) ("As both sides recognize, extra delivery or messenger fees are not normally recoverable.") (Alsup, J.); *Affymetrix, Inc. v. Multilyte Ltd.*, 2005 WL 2072113*1 (N.D. Cal. 2005) ("Shipping or expedited delivery charges and 'extra' charges such as ASCII/Mini/E-transcripts, however, are not allowed.") (Alsup, J.);

SJA Amaroso Const. Co. v. Executive Risk Indemnity Inc., 2009 WL 962008*3 (N.D. Cal. 2009) ("Shipping or expedited delivery charges are not allowed.") (Armstrong, J.).

As such, the amount of costs taxed in 4, 5, 6, 8, 9, and 10 should be reduced by the amount charged for "shipping and handling."

D. "Expedited" Deposition Transcripts—Items 5, 6, and 10

The amount of costs taxed in Items 5, 6, and 10 should be reduced by the amount charged for "expedited" service because costs for "expedited" transcripts are not taxable. *Asis Internet Svcs. V. Optin Global, Inc.*, 2008 WL 5245931*6 (N.D. Cal. 2008) ("Courts in this district have held that the cost of expedited delivery is not recoverable.") (Spero, J.); *Pierson v. Ford Motor Co.*, 2010 WL 431883*5 (N.D. Cal. 2010) ("it appears that this cost was incurred in connection with a request for some expedited service, and that it is therefore not allowable.") (Hamilton, J.).

Because the amount of the "expedited" service is not clear from the invoices associated with Items 5 and 6, these items should either be denied in their entirety or remanded to the Clerk so that GoDaddy can—if possible—provide additional documentation. The amount of the "expedited" service in Item 10 should be denied.

E. Arithmetic Error— Item 10

The amount of Item 10 should be reduced by $199.70 due to an arithmetic error: the costs listed on the invoice total $777.35, not 977.05.

F. "Tech Time"—Items 14, 15, 16, 17, 21, 22, 30, 32, 34, and 35

Petronas objects to the amount of costs GoDaddy claims for "Tech Time" because it is in addition to—and not the same as—GoDaddy's costs for producing documents electronically (to which Petronas has not objected). As the Ninth Circuit has held, "[s]ection 1920(4) speaks narrowly of '[f]ees for exemplification and copies of papers,' suggesting that fees are permitted only for the physical preparation and duplication of documents, not the intellectual effort involved in their production." *Romero v. City of Pomona*, 883 F.2d 1418, 1428 (9th Cir. 1989) (*en banc*). Courts citing the Ninth Circuit's *Romero* holding "have refused to award costs of

electronic discovery vendors beyond file format conversion [and] have recognized that gathering, preserving, processing, searching, culling, and extracting E[lectronically] S[tored] I[nformation] simply do not amount to 'making copies.'" *Race Tires Amer. Inc. v. Hoosier Racing Tire, Inc.*, 674 F.3d 158, 169 (3rd Cir. 2012) (citing cases).

GoDaddy's Item 15 well illustrates the issue. Petronas does not object to the costs listed on the invoice for Item 15 that appear related to the actual "reproducing" of documents, namely, the costs for "File Conversion . . . @$.05/page," "Image Endorsing . . . @$.01/page," "Master CD-ROM," and "CD-ROM Duplication." Ex. G at 16 (Invoice included in Ex. C to GoDaddy's Bill of Costs (Doc. 175-3)). Petronas does object, however, to the "Mid-Level Tech Time (Time to replace the documents) @ $125/hour" on that invoice because it is not a "cost of reproducing" the documents that would be allowed under Civil L.R. 54-3(d)(2). To the contrary, it is a cost is *in addition* to the other costs listed for reproducing the documents (and in any event the cost of "replac[ing] the documents" cannot be considered a cost for "reproducing" the documents).

All but one of the entries for technician time appear on invoices that also include costs for reproducing documents (Items 15, 16, 17, 21, 22, 30, 32, 34, and 35). Because these "Tech Time" costs are plainly not the costs for "reproducing" the documents—all of those costs are listed separately—they should not be allowed. The remaining invoice, for Item 14, does not include any cost entries for reproducing documents. Ex. G at 15 (Invoice included in Ex. C to GoDaddy's Bill of Costs (Doc. 175-3)). But it plainly describes time spent by technician(s) that has nothing to do with actually "reproducing" documents: namely, time spent on "project management – per hour: Work on specs with client; submit work orders internally, tracking and internal emails." While the scope of the permissible costs for "reproducing disclosure or formal discovery documents" under Civil L.R. 54-3(d)(2) is open to reasonable interpretation, the interpretation urged by GoDaddy simply goes too far with respect to "technician time" and GoDaddy's claimed costs for "technician time" should be denied.

G. Items 19, 20, 22-24, 31-33, and 35—"Blowbacks"

GoDaddy argues that its costs for "blowbacks" are justified because they "were incurred to reproduce discovery documents, several of which were also reproduced for use in depositions." Opp. At 7:20-21. Yet the invoices for each of these items show that none of the documents were "prepared for use in presenting evidence to the court or tendered for the opposing party," and thus properly taxable. *Meyer v. Horizon Health Corp.*, 2007 WL518607*4 (N.D. Cal. 2007) ("costs under Section 1920(4) are recoverable only if they are (1) tendered to or prepared for the opposing party; or (2) documents prepared for the court's consideration."); *City of Alameda*, 2012 WL 177566*3 ("Courts have interpreted that Rule [Civil L.R. 54-3(d)(2)] as allowing costs for 'copied documents . . . prepared for use in presenting evidence to the court or prepared or tendered for the opposing party."). The costs of making "duplicates of documents [that] were reviewed to determine those that may be relevant . . . and screened for privileged or otherwise protected material" are not taxable. *Race Tires*, 674 F.3d at 169 (where "a large volume of documents would have been processed to produce a smaller set of relevant documents . . . [n]one of the steps that preceded the actual act of making copies" would be taxable) *citing Romero*, 883 F.2d at 1428 (9th Cir. 1989). Nor are the costs for making copies of documents "for use in depositions" allowable except that "the cost of reproducing exhibits to depositions is allowable if the cost of the deposition is allowable." Civil L.R. 54-3(c)(3). And because GoDaddy has already sought the costs for reproducing deposition exhibits in connection with the deposition transcripts above—and Petronas did not object—GoDaddy's costs for "blowbacks" cannot be justified as costs for "reproducing deposition exhibits."

Thus, GoDaddy should not be allowed its claimed costs for:

- Item 19: "blowbacks" to "[p]rint redactions and clean versions";
- Item 20: "blowbacks" of "Pet[ronas's] prod[uction]";
- Item 22: "blowbacks" to create "3 CDs BB";
- Item 23: "blowbacks" for "Petronas depo binder";

- Item 24: "blowbacks" to "Print GoDaddy docs";
- Item 31: "blowbacks" to "Print additional documents from categories";
- Item 32: "blowbacks" to "Print E-mails, Forwarding Code, go Website";
- Item 33: "blowbacks" to "Print List of GO Ranges"; and,
- Item 36: "blowbacks" of 394 unidentified documents.

Accordingly, the Bill of Costs should be reduced by the amount of the "blowbacks" in the Items above.

H. Stay of Payment

Should any costs be taxed, any payment should be stayed pending the conclusion of Petronas's appeal in this action. As GoDaddy points out in its opposition brief, Petronas filed its notice of appeal to Ninth Circuit on March 16, 2012. Doc. 178. For the reasons outlined above, the issues in this case are close and there is a split among the district courts considering them. As such, a stay pending appeal of the payment of any costs is warranted. *In re Online DVD Rental Antitrust Litigation*, 2012 WL1414111*2 (staying payment of costs "pending conclusion and the final resolution of any appeal from these underlying actions.").

Alternatively, Petronas respectfully requests that payment of any costs not be required until ninety days after they are assessed so that Petronas can be sure it will have adequate time to process payment through its accounting and corporate governance systems.

CONLCUSION

For the foregoing reasons, GoDaddy's Bill of Costs should be denied, or alternatively, reduced as set forth above.

Dated: May 2, 2012

LAW OFFICES OF PERRY R. CLARK

By: /s/ *Perry Clark*
Perry Clark
Attorneys for Plaintiff and Counterclaim Defendant

PETROLIAM NASIONAL BERHAD