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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 **NOTICE OF MOTION, MOTION, AND MEMORANDUM OF POINTS AND AUTHORITIES IN SUPPORT OF DEFENDANT'S MOTION FOR JUDGMENT ON THE PLEADINGS AND FOR AN ORDER FINDING PLAINTIFF LIABLE FOR FEES** DATE: September 8, 2010 TIME: 9:00 a.m. JUDGE: Hon. Phyllis J. Hamilton

NOTICE OF MOTION AND MOTION

TO: ALL PARTIES AND THEIR ATTORNEYS OF RECORD

PLEASE TAKE NOTICE that, pursuant to Federal Rule of Civil Procedure 12(c) and 15 U.S.C. § 1117, on September 8, 2010, at 9:00 a.m., or as soon thereafter as the matter may be heard, at the United States Courthouse (1301 Clay Street, Courtroom 3, Oakland, CA 94612), before United States District Judge Phyllis J. Hamilton, Defendant GoDaddy.com, Inc. ("Go Daddy") will and hereby does move for judgment on the pleadings and for an order finding that Plaintiff Petroliam Nasional Berhad ("Plaintiff") is liable for attorneys' fees.

In support of this motion, Go Daddy submits:

1. Plaintiff's cybersquatting claim (Count One) must be dismissed because: (1) The claim is barred by a safe harbor provision within the Anticybersquatting Protection Act (ACPA) statute itself, (2) Plaintiff failed to include factual allegations to support the bald legal conclusion that Go Daddy "register[ed], traffic[ked] in, or use[d]" the domain name at issue, (3) the facts in the Complaint do not support the legal conclusion that Go Daddy had a "bad faith intent to profit" from the goodwill associated with Plaintiff's trademark, (4) Plaintiff failed to plead any facts to support a contributory cybersquatting claim (or even to mention the claim outside of the headings in the Complaint), and (5) other than an unsupported legal conclusion, Plaintiff merely alleged, inadequately, that Go Daddy's conduct displayed "bad faith," not the required "bad faith intent to profit" from the goodwill associated with Plaintiff's trademark.

2. Plaintiff's trademark infringement and dilution claims (Counts Two, Three, and Four) must be dismissed because: (1) Well-settled, controlling case law mandates dismissal of the direct infringement and dilution claims because as a domain name registrar, Go Daddy did not use the domain name at issue in commerce as a trademark, (2) well-established case law also compels dismissal of Plaintiff's contributory trademark and dilution claims, because domain name registrars do not have the requisite level of control and monitoring of the allegedly infringing domain names, and do not have the requisite knowledge of infringement – a trademark owner's assertion of infringement is not sufficient to impute knowledge of infringement to the domain name registrar.

3. Plaintiff's state claims for trademark infringement and unfair competition (Counts Five and Six) must be dismissed because these claims cannot survive without the underlying trademark and dilution claims.

4. Plaintiff should be held liable for attorneys' fees because this is an exceptional case pursuant to the Lanham Act, 15 U.S.C. § 1117. Plaintiff's claims are and have always been groundless, Plaintiff's conduct in bringing and maintaining this action has been unreasonable,

Plaintiff has vexatiously multiplied the proceedings in this action, and Plaintiff pursued the claims in bad faith.

5. This motion is based on the following Memorandum of Points and Authorities, the Declaration of John L. Slafsky and attached exhibits in Support of Defendant's Motion for Judgment on the Pleadings and for an Order Finding Plaintiff Liable for Attorneys' Fees; all other pleadings and matters of record; and such additional evidence or argument as may be presented at the hearing. A proposed form of order is submitted herewith.

MEMORANDUM OF POINTS AND AUTHORITIES

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Plaintiff Petroliam Nasional Berhad ("Plaintiff") has spent seven months pursuing a groundless lawsuit against an improper party. Each cause of action is fatally flawed for multiple reasons. The Complaint is riddled with unsupported legal conclusions, incomplete claims, and long discredited legal theories. Plaintiff's actions are particularly suspect because, if the allegations in the Complaint are to be believed, Plaintiff is a trademark owner concerned about misuse of its trademark on the Internet. However, instead of opting for the quick and inexpensive method of addressing these concerns – filing an administrative action against the known individual who registered the allegedly infringing domain name – Plaintiff brought this action, with claims for cybersquatting, trademark infringement and dilution, and unfair competition against an inappropriate defendant: domain name registrar GoDaddy.com, Inc. ("Go Daddy"). Even a cursory review of the relevant statutes and case law would have revealed to Plaintiff that Go Daddy cannot be held liable for such claims.

A complete lack of merit, even on the face of the Complaint, has not stopped Plaintiff from dragging the action out for over seven months, *even though Plaintiff has already secured the relief requested in the action* (namely, transfer of the domain name at issue) pursuant to an order in a separate case over ten weeks ago. Plaintiff's Complaint is groundless and its conduct unreasonable at best; at worst the litigation is vexatious and pursued in bad faith. Any one of these factors translates to an "exceptional case" under the Lanham Act, triggering liability for attorneys' fees.

For these reasons and the reasons stated in detail below, Plaintiff's Complaint should be dismissed and Go Daddy should be awarded attorneys' fees.

MOTION FOR JUDGMENT ON THE PLEADINGS

I. INTRODUCTION

A. Factual Allegations

The facts in this case are simple. According to the allegations in the Complaint, a third party (the "Registrant") registered the domain name <petronastower.net> (the "Domain Name") and created a website linked to the Domain Name. Plaintiff claims that the domain name

registration and the website violate its rights in the PETRONAS trademark. *See* Complaint ¶ 20. Plaintiff alleges that Go Daddy was the registrar that the third-party Registrant used to register the domain name. *See id.* ¶ 15. Plaintiff does not any allege any other connection between Go Daddy and the Domain Name or the website at issue.

B. Procedural History

Plaintiff filed the Complaint and a Request for a Temporary Restraining Order on December 18, 2009. The parties briefed the motion and the Court held a hearing on December 23, 2009. At the hearing, the Court denied Plaintiff's Request for a TRO, noting in particular the amount of time that the website at the Domain Name had been available.

Plaintiff filed a separate Lanham Act *in rem* proceeding against the Domain Name on January 29, 2010. In connection with the *in rem* action, the Court ordered transfer of the domain name on May 13, 2010, resolving the *in rem* action in its entirety. The domain name was transferred to Plaintiff on May 18, 2010.

Go Daddy filed an Answer in this action on March 11, 2010, denying all substantive allegations and asserting various affirmative defenses.

The parties have appeared at a Case Management Conference on March 25, 2010 and are scheduled to appear at a second Case Management Conference on August 5, 2010. Go Daddy anticipated the filing of this motion in two Joint Case Management Conference Statements.

II. LEGAL STANDARD

A motion for judgment on the pleadings under Federal Rule of Civil Procedure 12(c) is appropriate after an answer or responsive pleading is filed in an action. *See* Fed. R. Civ. P. 12(c). "The legal standard applied to a motion for judgment on the pleadings is the same as the legal standard applied on a motion to dismiss pursuant to Rule 12(b)(6)." *Holloway v. Best Buy Co.*, No. C-05-5056 PJH, 2009 WL 1533668, at *2 (N.D. Cal. May 28, 2009) (Hamilton, J.); *see also McGlinchy v. Shell Chem. Co.*, 845 F.2d 802, 810 (9th Cir. 1988) ("[T]he motion for judgment on the pleadings faces the same test as a motion under Rule 12(b)(6)"). Thus, the allegations in the complaint "must be enough to raise a right to relief above the speculative level." Twombly, 550

U.S. at 555. A complaint should be dismissed when a plaintiff fails to proffer "enough facts to state a claim to relief that is plausible on its face." *Bell Atl. Corp. v. Twombly*, 550 U.S. 544, 570 (2007). While the court accepts as true all material allegations in the complaint, it need not accept the truth of conclusory allegations or unwarranted inferences, nor should it accept "formulaic recitation[s] of the elements of a cause of action" as true merely because they are cast in the form of factual allegations. *Twombly*, 550 U.S. at 555.

Unlike a motion under Rule 12(b), a Plaintiff facing a Rule 12(c) motion for judgment on the pleadings cannot amend its complaint without leave of the Court. *See* Fed. R. Civ. P. 15(a) (expressly allowing an amendment to a pleading within 21 days of a responsive pleading or a motion "under Rule 12(b), (e), or (f)," but disallowing any other amendment without written consent of the opposing party or leave of the court).

III. ARGUMENT

In its Complaint, Plaintiff asserts six claims for relief, all of which are barred, preempted, or have otherwise been determined to be inapplicable to domain name registrars:
(1) Cybersquatting and contributory cybersquatting under 15 U.S.C. § 1125(d); (2) Trademark infringement and contributory infringement under 15 U.S.C. § 1114; (3) False designation of origin under 15 U.S.C. § 1125(a); (4) Dilution under 15 U.S.C. § 1125(c); (5) Trademark infringement under Cal. Bus. & Prof. Code § 14320 and California common law; (6) Unfair competition under Cal. Bus. & Prof. Code § 17200 and California common law.

A. Plaintiff's Cybersquatting Claim (Count One) Is Barred and Unsupported

1. Cybersquatting Claim Is Barred Under 15 U.S.C. § 1114(2)(D)

Plaintiff's first claim arises under the Anticybersquatting Consumer Protection Act ("ACPA"), which itself provides domain name registrars with a clear "safe harbor from liability for registering an infringing domain name." 4 McCarthy on Trademarks and Unfair Competition § 25:73.40 (4th ed. 2010). With this safe harbor, the ACPA "effectively codifies the pre-2000

case law . . . which held that a registrar that reserved or registered an allegedly infringing domain name was not responsible as a direct or contributory trademark infringer."[1] *See id.*

Cases interpreting the ACPA safe harbor provision have uniformly held that this language shields passive registrars – those who merely register domain names for registrant customers[2] – from liability under the ACPA: "[The] ACPA safe harbor provision . . . exempts a domain name registrar from liability resulting from its registration of domain names for others where the registrar is acting in a purely passive capacity." *Verizon California, Inc. v. OnlineNIC, Inc.*, 647 F. Supp. 2d 1110, 1126 (N.D. Cal. 2009) (citing 15 U.S.C. § 1114(2)(D)(iii)); *see also Solid Host, NL v. NameCheap, Inc.*, 652 F. Supp. 2d. 1092, 1104-05 (C.D. Cal. 2009) ("[A] registrar is not liable under § 1125(d) *when it acts* [as] *a registrar*, i.e., when it accepts registrations for domain names from customers") (emphasis in original, citing *Lockheed Martin Corp. v. Network Solutions, Inc.*, 141 F. Supp. 2d 648, 654-55 (N.D. Tex. 2001), often referred to as "*Lockheed II*" (granting summary judgment for the domain name registrar defendant and stating: "It is quite understandable that Congress did not cause defendant as a domain name registrar . . . to be subject to civil liability under § 1125(d).")).

Plaintiff does not allege that Go Daddy acted as anything other than a passive registrar with respect to the Domain Name. The sole factual allegation regarding Go Daddy's role in relation to the Domain Name is in Paragraph 15 of the Complaint: "On or about November 26, 209 [sic], [Plaintiff] learned that the [Domain Name] had been registered with Defendant,

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[1] Section 1114(2)(D)(iii) states: "A domain name registrar, a domain name registry, or other domain name registration authority shall not be liable for damages under this section for the registration or maintenance of a domain name for another absent a showing of bad faith intent to profit from such registration or maintenance of the domain name."

[2] The Ninth Circuit has described the function of a domain name registrar, like Go Daddy here, in more technical detail: "[The registrar's] role differs little from that of the United States Postal Service: when an Internet user enters a domain-name combination [into his or her Internet browser], [the registrar] translates the domain-name combination to the registrant's IP Address and routes the information or command to the corresponding computer." *Lockheed Martin Corp. v. Network Solutions, Inc.*, 194 F.3d 980, 984 (9th Cir. 1999).

GoDaddy." The Complaint also includes a conclusory allegation that "GoDaddy does not occupy the neutral position of a registrar," Complaint ¶ 22, but alleges no facts that even suggest that Go Daddy acted as anything other than the passive registrar with respect to the Domain Name. In considering a motion for judgment on the pleadings, a conclusory assertion that is unsupported by the facts alleged in the Complaint must be disregarded.[3] *See Twombly*, 550 U.S. at 555; *see also Doe I v. Wal-Mart Stores, Inc.*, 572 F.3d 677, 683 (9th Cir. 2009) ("We need not accept Plaintiffs' unwarranted conclusion in reviewing a motion to dismiss") (citing *Twombly*, 550 U.S. at 555); *Castaline v. Aaron Mueller Arts*, No. C-09-02543 CRB, 2010 WL 583944, at *3 (N.D. Cal. Feb. 16, 2010) ("[D]istrict courts need not accept legal conclusions cast in the form of factual allegations, if those conclusions cannot reasonably be drawn from the facts alleged"); *Distor v. U.S. Bank NA*, No. C-09-02086 SI, 2009 WL 3429700, at *8 (N.D. Cal. Oct. 22, 2009) (granting defendant's motion to dismiss where "Plaintiff has alluded to the test, but has not pled facts that would support the claim, only legal conclusions without support.").

Go Daddy, in its position as a registrar simply providing an automated domain name routing function, is exactly the party that the ACPA's safe harbor was meant to protect. Plaintiff's ACPA claim must be dismissed.

2. Plaintiff Fails to State a Claim Under the ACPA

Even if Plaintiff's ACPA claim were not clearly barred by the ACPA safe harbor for registrars (§ 1114(2)(D)(iii)), the claim must be dismissed for failure to state a claim against Go Daddy. The ACPA requires allegations that a defendant "registers, traffics in, or uses" a domain name with "bad faith intent to profit." 15 U.S.C. § 1125(d)(1)(A)(i)-(ii). *See, e.g., Bird v.*

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[3] The Complaint also contains the non sequitur: "[Go Daddy] offers 'unlisted' private domain name registration services," Complaint ¶ 22, but does not allege that such services were involved with respect to the Domain Name and does not indicate why such services are relevant to this Complaint. There were in fact no "unlisted, private" domain name registration services involved with the Domain Name; this fact is revealed in the Complaint, as Plaintiff alleged that it found the Registrant's information in the public WHOIS database of domain name information. *See id.* ¶ 20.

Parsons, 289 F.3d 865, 880 (6th Cir. 2002) (describing elements of an ACPA claim); *Lockheed II*, 141 F. Supp. 2d at 653-54 (same); *Solid Host*, 652 F. Supp. 2d at 1100-01 (same). Plaintiff has not alleged such facts, and well-established case law is clear that Plaintiff cannot legitimately allege such facts against a passive registrar.

a. Plaintiff has not alleged that Go Daddy "registered, trafficked in, or used" the domain name

Only a registrant can "register" a domain name under the ACPA. "The word 'registers,' when considered in context, obviously refers to a person who presents a domain name for registration, not to the registrar." *Lockheed II*, 141 F. Supp. 2d at 655; *see also Bird*, 289 F.3d at 881 (only the registrant "registers" the domain name within the meaning of the ACPA). Plaintiff does not allege that Go Daddy is the registrant of the Domain Name, and in fact makes clear in the Complaint that the Registrant is a third party not named in this action. *See* Complaint ¶ 20.

Similarly, only the registrant or the registrant's authorized licensee can "use" a domain name under the plain language of the statute: "[a] person shall be liable for using a domain name . . . only if that person is the domain name registrant or the registrant's authorized licensee." 15 U.S.C. § 1125(d)(1)(D). *See also Lockheed II*, 141 F. Supp. 2d at 655 ("Section 1125(d)(1)(D) expressly limits the 'uses' feature to the domain name registrant or the registrant's authorized licensee"). Plaintiff does not allege (nor could it allege) that Go Daddy is the domain name registrant or the authorized licensee of the registrant. Without such allegations, Plaintiff cannot sustain an ACPA claim based on "use" of the Domain Name. *See Bird*, 289 F.3d at 881 (holding that plaintiff failed to state an ACPA claim based on "use" of a domain name because there was no allegation that defendant was the domain name registrant's authorized licensee).

There are also no allegations that Go Daddy "trafficked in" the domain name. The ACPA defines "trafficking in" a domain name as: "transactions that include, but are not limited to sales, purchases, loans, pledges, licenses, exchanges of currency, and any other transfer for consideration or receipt in exchange for consideration." 15 U.S.C. § 1125(d)(1)(E). Plaintiff does not allege that Go Daddy participated in any such conduct, or any other conduct that could be construed as

"trafficking in" the domain name. Indeed, a passive registrar – like Go Daddy in this action – has clearly been held to be outside the definition of "trafficking in" domain names under the ACPA: "A registrar that processes domain name registration applications does not register or traffic in domain names as those terms are used in this statute [the ACPA]." *Solid Host*, 652 F. Supp. 2d at 1105. *See also Lockheed II*, 141 F. Supp. 2d at 655; *Bird*, 289 F.3d at 881.

Without any factual allegations to support it, Plaintiff's legal conclusion that "Defendant GoDaddy registered, trafficked in, or used the Infringing Website [sic]," [4] Complaint ¶ 28, must be disregarded. *See Twombly*, 550 U.S. at 555. [5]

b. Plaintiff has not alleged that Go Daddy had a "bad faith intent to profit" from the domain name

Plaintiff's sole allegation concerning "bad faith intent to profit" is the rote legal conclusion stated in Paragraph 28 of the Complaint: "On information and belief, [Go Daddy] registered, trafficked in, or used the Infringing Website [sic] in bad faith and with a bad faith intent to profit from the goodwill Plaintiff has established in its 'PETRONAS' mark." Plaintiff's only other mention of "bad faith" concerns a baseless accusation that Go Daddy "acted in bad faith" when it refused to take action regarding the Domain Name after receiving Plaintiff's complaints about the Registrant's use of the Domain Name. [6] Complaint ¶¶ 20, 22. In fact, even taking all factual

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[4] The statute clearly requires that a plaintiff allege registration, use, or trafficking in a *domain name*, not a website. Regardless, even if we assume that Plaintiff meant to indicate the domain name instead of the website (even though "Infringing Domain Name" is another defined term in the Complaint indicating the domain name at <petronastower.net>, *see* Complaint ¶ 15), the allegations do not support a claim under the ACPA.

[5] *See also* related cases cited *supra* on p. 6.

[6] Citing to "bad faith" and "bad faith intent to profit" separately in this alleged recitation of elements under the ACPA, Plaintiff acknowledges that they are distinct concepts. Indeed, "bad faith" alone is not an element of an ACPA claim; "bad faith intent to profit" is. *See* 15 U.S.C. § 1125(d)(1)(A)(i); *see also Solid Host*, 652 F. Supp. 2d at 1110 ("[B]ad faith intent to profit is a term of art with a specific legal meaning under the ACPA. . . the statute was not meant to prohibit actions outside its scope simply because they were undertaken in 'bad faith.'") (citations omitted). Plaintiff does not allege any facts intended to support a claim that Go Daddy acted with bad faith (continued...)

allegations regarding Go Daddy's conduct as true, Go Daddy's actions as described in the Complaint were in accordance with the well-established legal framework for domain name disputes.

Much of Plaintiff's Complaint is a detailed – and irrelevant – account of its communications with Go Daddy prior to filing the Complaint. Specifically, Plaintiff had determined that the Registrant registered the Domain Name "with" Go Daddy, Complaint ¶ 15, and then Plaintiff contacted Go Daddy to "request[] that [Go Daddy] cease its direct and contributory infringement of Plaintiff's mark." *Id.* ¶ 17. Go Daddy responded within two business days that it was not the proper recipient of this request, and that it does not "becom[e] involved in domain name ownership disputes." *Id.* ¶ 18. Go Daddy further suggested that Plaintiff address its concerns with "the registrant, through an arbitration forum such as the World Intellectual Property Organization, or the local court system." *Id.* Instead of contacting the Registrant or filing an administrative action against the Registrant under the Uniform Domain Name Dispute Resolution Policy ("UDRP"), Plaintiff contacted Go Daddy again, and Go Daddy responded again – on the same day – with the same suggestion to Plaintiff. *See id.* ¶¶ 20, 21. Based on this conduct, Plaintiff alleges that Go Daddy "acted in bad faith and with reckless disregard of [Plaintiff's] known trademark rights." *See id.* ¶ 22.

Far from "bad faith," Go Daddy's alleged conduct is well within the appropriate limits of a registrar's involvement with ownership or trademark disputes. There are multiple legal mechanisms for resolving such disputes – as Go Daddy promptly and repeatedly explained to

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intent to profit from the goodwill associated with the alleged trademark. The mere operation of Go Daddy's domain name registration service does not qualify as a sufficient "intent to profit." *See Solid Host*, 652 F.Supp. 2d at 1110 (dismissing ACPA claim because plaintiff failed to allege the element of a bad faith intent to profit when "[t]he only intent to profit alleged is linked to [the registrar's] operation and promotion" of its service, rather than allegations supporting an "inten[t] to profit from the goodwill associated with [plaintiff's] trademarks."). Therefore, Plaintiff's ACPA claim could be dismissed on this ground alone.

Plaintiff – but complaining to the domain name registrar is not one of them. Registrars are not charged with the duty to resolve trademark infringement and dilution disputes, nor should they be:

> Sheer volume alone would prohibit [a registrar] performing the [dispute resolution] role plaintiff would assign. Defendant simply could not function as a registrar . . . if it had to become entangled in, and bear the expense of, disputes regarding the right of a registrant to use a particular domain name. The fact that defendant could theoretically [resolve disputes] does not mean that defendant is obligated to do so at the risk of financial ruin. The reason the UDRP [the Uniform Domain Name Dispute Resolution Procedure] was developed was to provide the mechanism to resolve these disputes. Not only would imposing plaintiff's scheme [to obligate the registrar to resolve disputes] render the UDRP nugatory, it would cause the domain name registration system in its entirety not to be feasible.

Lockheed II, 141 F. Supp. at 655.

Because Plaintiff fails to plead any facts to establish that Go Daddy had bad faith intent to profit, or that Go Daddy registered, trafficked in, or used the Domain Name under the ACPA, Plaintiff has failed to state a claim against Go Daddy for cybersquatting.[7]

B. It is Well-Established That Claims for Trademark Infringement (Counts Two and Three in the Complaint) and Dilution (Count Four) Cannot Be Maintained Against a Domain Name Registrar

Ninth Circuit case law has established that registrars like Go Daddy are not liable to trademark owners for direct or contributory infringement or dilution.

1. Go Daddy Cannot Be Held Liable for Trademark Infringement or Contributory Infringement

Plaintiff has not articulated a theory for its allegations of direct infringement against Go Daddy. Plaintiff merely states in the passive voice that "[t]he use of Plaintiff's 'PETRONAS'

[7] Plaintiff's cybersquatting claim also includes "contributory cybersquatting" in the title of the claim. However, Plaintiff does not plead any facts that establish (or even attempt to establish) contributory liability for cybersquatting, and does not even make a conclusory statement related to contributory liability in the recitation of elements for the first claim. The mention of contributory cybersquatting is meaningless, and should be disregarded.

mark on the Infringing Website is without permission and consent," Complaint ¶ 41, "[t]he use of Plaintiff's 'PETRONAS' mark has caused and is likely to continue to cause confusion, mistake, and deception . . . ." Complaint ¶ 42, "[t]he use in commerce of the 'PETRONAS' mark in the Infringing Domain Name and associated with the Infringing Website is likely to cause confusion, or to cause mistake, or to deceive the relevant public . . . ." Complaint ¶ 55. These allegations (and numerous others like them) do not even identify a cause of action against Go Daddy – indeed, even taking all allegations in the Complaint as true, these allegations more appropriately refer to the Registrant's purported use of the Domain Name, website, and trademark. As such, Plaintiff has failed to state a claim against Go Daddy for trademark infringement.

Even if one forgives Plaintiff's failure to identify which actor is participating in the alleged conduct, the trademark infringement claims must fail. In the seminal *Lockheed Martin Corp. v. Network Solutions, Inc.*, 194 F.3d 980 (9th Cir. 1999), the Ninth Circuit affirmed the District Court's decision granting summary judgment to a domain name registrar on a trademark owner's direct infringement claims, as well as the contributory infringement claims and the direct dilution claims.

In *Lockheed* the District Court held that the registrar defendant could not be held liable for direct trademark infringement under the Lanham Act. *See Lockheed Martin Corp. v. Network Solutions, Inc.*, 985 F. Supp. 949, 958 (C.D. Cal. 1997), *aff'd*, 194 F.3d 980 (9th Cir. 1999). The Court recognized that "something more than the registration of the name is required before the use of a domain name is infringing," and the registrar's "merely us[ing] domain names to designate host computers on the Internet" is "the type of purely 'nominative' function that is not prohibited by trademark law." *See id.* at 957 (citing *New Kids on the Block v. New America Publ'g, Inc.*, 971 F.2d 302, 307 (9th Cir. 1992)). Courts have continued to uphold and apply the *Lockheed* Court's reasoning and conclusions in trademark cases concerning passive registrars. *See, e.g., Bird*, 289 F.3d at 878 (discussing *Lockheed* with approval and adding: "A registrar that grants a particular domain name to a registrant simply grants it an address. . . . The fact that the registrant can then use its domain name to infringe on the rights of a registered trademark owner does not subject the

registrar to liability for trademark infringement or unfair competition."); *Size, Inc. v. Network Solutions, Inc.*, 255 F. Supp. 2d 568, 573 (E.D. Va. 2003) (discussing *Lockheed* and granting defendant registrar's motion to dismiss). *See also, e.g.*, *Watts v. Network Solutions, Inc.*, No. 99-2350, 1999 WL 994012, at *2 (7th Cir. Oct. 27, 1999) (upholding summary judgment for passive defendant registrar on claims of direct and contributory trademark infringement where plaintiff "presented no evidence . . . that [defendant registrar] knew that [registrant] was engaging in trademark infringement").

Here, Go Daddy is alleged to have provided the exact same function as the registrar in *Lockheed*. Therefore, any "use" of the Domain Name in the course of providing the domain name routing function is not trademark use of Plaintiff's alleged mark, and Go Daddy is likewise not liable for trademark infringement.

The *Lockheed* Court further declined to extend the framework for contributory trademark infringement to a registrar's domain name registration activities. *Lockheed*, 194 F.3d 980. The Court held that "[the registrar] does not supply a product or engage in the kind of direct control and monitoring required to extend the *Inwood Lab.* [contributory infringement] rule." *See id.* at 986. The District Court explained that the domain name registrar's "involvement with potentially infringing uses of domain names [wa]s remote," and therefore held it was "inappropriate to extend contributory liability to [the registrar] absent a showing that [it] had unequivocal knowledge that a domain name was being used to infringe a trademark." *See Lockheed*, 985 F. Supp. at 962. The Court was unequivocal that assertions from the trademark owner alone were not sufficient to trigger the level of knowledge required to sustain a contributory infringement claim. *See id*. at 963 ("The mere assertion by a trademark owner that a domain name infringes its mark is not sufficient to impute knowledge of infringement to [the registrar].") Because trademark infringement requires a multi-faceted and dynamic analysis, taking into consideration the strength of the mark, the goods and services used in connection with the mark, and other similar marks that exist, the Court reasoned that "the outcome of the [likelihood of confusion] test [for trademark infringement] cannot be predicted from an examination of the mark and the domain name." *Id*. at

963-64. Further, "[a] reasonable person in [the registrar's] position could not presume infringement even where the domain name is identical to a mark and registered for use in connection with a similar or identical purpose." *Id.* at 963.

In this case, Plaintiff alleges that Go Daddy occupied the identical role as the defendant registrar in *Lockheed*, namely, providing a mere automated domain name routing function to the Registrant. Go Daddy was therefore equally "remote" from the purported infringing use of the mark, and the same level of unequivocal knowledge would be required to establish contributory infringement. However, the only "knowledge" alleged in the Complaint was a mere assertion from the trademark owner that infringement was occurring at the website associated with the Domain Name. *See* Complaint ¶ 46. *Lockheed* is clear that such assertions do not amount to knowledge of infringement, and thus Plaintiff's allegations cannot support contributory infringement claims against Go Daddy. *See Lockheed*, 985 F. Supp. at 963-64.

2. Go Daddy Cannot Be Held Liable for Trademark Dilution or Contributory Dilution

Plaintiff's dilution claims are equally unsustainable against a passive registrar. As with the direct infringement claim, a dilution claim requires an allegation that the defendant used the trademark in commerce. Because registrars are only involved in the registration of the domain names, the conduct cannot give rise to a dilution claim. *See Lockheed*, 985 F. Supp. at 959-60 (dismissing the plaintiff's dilution claims against the registrar: "Because the Court finds as a matter of law that [the registrar] does not make commercial use of domain names as a trademarks, [plaintiff] cannot prevail on its dilution claim."). The District Court in *Lockheed* further denied the plaintiff's request for leave to amend the complaint to add a claim for contributory dilution; the Ninth Circuit affirmed this decision because contributory dilution claims could not succeed. *See Lockheed*, 194 F.3d at 986 ("We agree with the district court that futility supports its decision to refuse leave to amend the complaint [to restate a claim for dilution]."); *Bird*, 289 F.3d at 879 (relying on *Lockheed* to dismiss a claim of dilution against a registrar because "acceptance of

domain name registrations is not a 'commercial use' within the meaning of [15 U.S.C. § 1125(c)]") (citation omitted); *Acad. of Motion Pictures Arts & Sciences v. Network Solutions, Inc.*, 989 F. Supp. 1276, 1279 (C.D. Cal. 1997) (denying preliminary injunction on dilution and contributory dilution claims in part because there were no facts suggesting that defendant registrar used the marks in commerce).

C. Plaintiff's State Law Claims (Counts Five and Six) Must Be Dismissed with the Underlying Infringement and Dilution Claims

Plaintiff's remaining claims are California state law claims that rely on the same facts and principles as the trademark infringement claims discussed above, and for the same reasons such claims must fail. *See Denbicare U.S.A., Inc. v. Toys "R" Us, Inc.*, 84 F.3d 1143, 1152 (9th Cir. 1996) ("'[S]tate common law claims of unfair competition and actions pursuant to California Business and Professions Code § 17200 are 'substantially congruent' to claims made under the Lanham Act' . . . Thus, since dismissal of [plaintiff's] Lanham Act claim was proper, dismissal of its § 17200 claim was proper as well") (citation omitted). As the Court discussed in detail in *Lockheed Martin*, a domain name registrar does not directly infringe a trademark, and does not engage in conduct which would support an unfair competition claim. *See Lockheed*, 985 F. Supp. at 959 (granting summary judgment to defendant registrar on plaintiff trademark owner's unfair competition claim); *see also Acad. of Motion Pictures*, 989 F. Supp. at 1281 (denying a preliminary injunction based, in part, upon state and federal unfair competition claims because "[t]here is no allegation that [defendant registrar] has any knowledge of how a registrant will use a domain name. If a company uses a domain name to falsely represent that it is [plaintiff] . . . [plaintiff] may have a cause of action for unfair competition against that company. There appears, however, to be no ground for bringing such a cause of action against [defendant registrar]").

THE COURT SHOULD DIRECT PLAINTIFF TO REIMBURSE GO DADDY FOR ITS ATTORNEYS' FEES AND COSTS

I. INTRODUCTION

Plaintiff filed this action knowing that it had no legal leg to stand on. Regardless, Plaintiff named Go Daddy as the sole defendant out of convenience, because the correct party – to the extent there is one – is a foreign individual and therefore would have been more difficult to pursue. Informed repeatedly of the impropriety of this lawsuit, and having committed repeatedly to dismiss it, Plaintiff nevertheless continued prosecuting the action. Plaintiff even maintained the action after a separate *in rem* matter resulted in transfer of the Domain Name to Plaintiff (over ten weeks ago), the very remedy that Plaintiff seeks in this action.

For these reasons and the reasons stated below, Plaintiff's litigation was and is groundless, unreasonable, vexatious, and pursued in bad faith. As only one of these factors is necessary to substantiate a claim for attorneys' fees under the Lanham Act, Plaintiff should be required to pay Go Daddy its costs and reasonable attorneys' fees in defending the action.

II. LEGAL STANDARD

Under the Lanham Act, a prevailing party may be awarded attorney's fees in "exceptional cases." 15 U.S.C. § 1117(a)(3). Attorneys' fees are available "to prevailing defendants as well as prevailing plaintiffs . . . ." *Guichard v. Universal City Studios*, L.L.L.P., No. C-06-06392 JSW, 2008 WL 2220434, at *2 (N.D. Cal. May 7, 2008) (upholding an attorney's fee award where "[p]laintiff's litigation was groundless and unreasonable"). "[T]his requirement [exceptional circumstances] is met when the case is either 'groundless, unreasonable, vexatious, or pursued in bad faith.'" *Cairns v. Franklin Mint Co*., 292 F.3d 1139, 1156 (9th Cir. 2002) (citing *Avery Dennison Corp. v. Sumpton*, 189 F.3d 868, 881 (9th Cir. 1999)).

The Federal Rules of Civil Procedure allow a Court to determine liability for attorneys' fees first, before considering the amount of the award. *See* Fed. R. Civ. P. 54(d)(2)(C) ("The court may decide issues of liability for fees before receiving submissions on the value of services.").

Local Rule 54-5 requires that the parties confer prior to the filing of a motion for attorneys' fees. *See* Civ. L.R. 54-5. On July 29, 2010, counsel for Go Daddy contacted counsel for Plaintiff to request a conference pursuant to this rule. *See* Declaration of John L. Slafsky ("Slafsky Decl."), ¶ 2. The parties conferred by phone on August 3, 2010. *See id*.[8]

III. ARGUMENT

In the event the Court grants Go Daddy's motion for judgment on the pleadings, filed contemporaneously with this motion for an order finding liability for attorneys' fees, all of the claims in the action will be resolved in Go Daddy's favor. Go Daddy will then be the prevailing party in the action.

As the prevailing party, Go Daddy could be entitled to reasonable attorneys' fees and costs related to defense of the action if the "exceptional circumstances" apply: namely, if Plaintiff's litigation was groundless, unreasonable, vexatious, *or* pursued in bad faith. In this case, all four factors apply, so the Court should exercise its discretion to award attorneys fees to Go Daddy under 15 U.S.C. § 1117(a)(3).

A. Plaintiff's Claims Are Groundless and Plaintiff's Conduct Unreasonable

Every one of Plaintiff's claims in this action is groundless:[9]

Regarding Plaintiff's cybersquatting claim. (1) The claim is barred by a safe harbor provision within the statute itself, (2) Plaintiff failed to include factual allegations to support the bald legal conclusion that Go Daddy "register[ed], traffic[ked] in, or use[d]" the Domain Name, (3) the facts in the Complaint do not support the legal conclusion that Go Daddy had a "bad faith intent to profit" from the goodwill associated with Plaintiff's alleged trademark, (4) Plaintiff failed

[8] Before filing its next motion regarding the amount of attorneys' fees to be awarded, Go Daddy will initiate a second conference with counsel for Plaintiff. Go Daddy is also mindful of the evidentiary requirements of Local Rule 54-5, and will provide the necessary declarations and documentation with the motion.

[9] For a thorough explanation of the groundlessness of Plaintiff's claims, *see* Argument in Section III, *supra*.

to plead any facts to support a contributory cybersquatting claim (or even to mention the claim outside of the headings in the Complaint), and (5) other than an unsupported legal conclusion, Plaintiff merely alleged, inadequately, that Go Daddy's conduct displayed "bad faith," not the required "bad faith intent to profit" from the goodwill associated with a trademark.

Regarding Plaintiff's trademark infringement and dilution claims. (1) Well-settled, controlling case law mandates dismissal of the direct infringement and dilution claims because a domain name registrar does not use the Domain Name in commerce as a trademark, (2) well-established case law also compels dismissal of Plaintiff's contributory trademark and dilution claims, because domain name registrars do not have the requisite level of control and monitoring of the allegedly infringing domain names, and do not have the requisite knowledge of infringement – a trademark owner's assertion of infringement is not sufficient to impute knowledge of infringement to the domain name registrar.

Courts have awarded attorneys' fees to defendants in Lanham Act cases with only a fraction of the flaws in this case. Indeed, Courts have awarded attorneys' fees to defendants with only a fraction of this Plaintiff's particular deficiencies to support a determination of "groundlessness." In *D.S.P.T. International, Inc. v. Nahum*, No. CV-06-0308 ODW, 2008 WL 754803, at *3 (C.D. Cal. March 17, 2008), the plaintiff brought a cybersquatting claim under the ACPA, and alleged that the defendant "used" the domain name under the act. The defendant was not, however, the registrant or the registrant's licensee, and therefore could not be held liable for 'use' of a domain name pursuant to a clear definition in the statute. *See id*. ("Notwithstanding the statute's directive that 'only' the registrant and his or her authorized licensee may be held liable for "use" of a domain name, [plaintiff] pursued this claim against [defendant], who was neither the registrant of the domain name nor a licensee."). Because of this deficiency – which is present in this action as well – the Court held that the cybersquatting claim was "groundless" and "specious," and awarded attorneys' fees to defendant. *See id.*

The *D.S.P.T.* Court further faulted the plaintiff with the unreasonable continuation of specious claims for the duration of the lawsuit. "[Plaintiff's] pursuit of the [groundless] claims-

including the blanket opposition to [defendant's] motion for summary judgment, was unreasonable." *See D.S.P.T.*, 2008 WL 754803, at *3. In another ACPA-related case, the District Court awarded attorneys' fees to the defendant when the plaintiff maintained an action for four months after facts arising at a preliminary injunction hearing made it clear that plaintiff was unlikely to be able to prove that the defendant had a bad faith intent to profit, and therefore would likely not prevail on the ACPA claim against the defendant. *See Rohr-Gurnee Motors, Inc. v. Patterson*, No. 03-c-2493, 2004 WL 422525, at *3 (N.D. Ill. Feb. 9, 2004) ("[A]fter the June 18 hearing, [plaintiff's] continued pursuit if this case became 'oppressive,' because at that hearing this court ruled, and [plaintiff] became aware, that it did not have a better than negligible chance of success on the merits of its claim."). *See also Societe Civile Succession Guino v. Renior,* 305 Fed. Appx. 334, 338 (9th Cir. April 1, 2009) ("[Plaintiff's] failure to dismiss its claim earlier in the proceeding once it knew that there was no evidence to support was 'unreasonable.'").

In this action, Plaintiff continues to maintain groundless *and moot* Lanham Act claims, as the Domain Name is already in Plaintiff's possession. Plaintiff knew of the speciousness of the claims at least as early as the hearing on Plaintiff's request for a TRO in December 2009, when Go Daddy presented ample authority in its papers and at the hearing to demonstrate that Plaintiff, like the plaintiff in *Rohr-Gurnee*, "did not have a better than negligible chance of success on the merits of its claim." 2004 WL 422525, at *3. Plaintiff likely knew that there was no chance of success on the merits before filing the case, as Plaintiff's allegations, though insufficient, did contain some "buzz words" from relevant cases on the topic. *See* Complaint ¶ 22 (stating, inaccurately and without support that Go Daddy "does not occupy the neutral position of a registrar," which is similar to language in cases such as *Verizon California*, 647 F. Supp. 2d at 1126, which holds that the ACPA safe harbor provision shields registrars "acting in a purely passive capacity."). Either way, Plaintiff's conduct in filing or maintaining this action with the knowledge that it was groundless (and later moot) was unreasonable, and subjects Plaintiff to liability for attorneys' fees under the Lanham Act.

B. Plaintiff's Lawsuit Is Vexatious and Pursued in Bad Faith

Vexatious litigation constitutes an "exceptional case" under the Lanham Act when a plaintiff's unreasonable claims or behavior "vexatiously multiply the proceedings." *See Designing Health, Inc. v. Erasmus*, No. CV-99-9088 LGB, 2003 WL 25902463, at *19 (C.D. Cal. May 1, 2003) (holding that the plaintiffs unreasonably and vexatiously multiplied the proceedings by maintaining trademark claims when there was no evidence to support them).

Here, Plaintiff's very decision to bring the action was vexatious and pursued in bad faith. Plaintiff could have sought relief from the Registrant directly or through an administrative action pursuant to the UDRP, as Go Daddy advised Plaintiff to do numerous times including at court hearings. As Go Daddy has also advised Plaintiff, UDRP domain name arbitrations last only about 60 days from start to finish, with trademark owners winning the arbitrations approximately 85% of the time. *See* Slafsky Decl., ¶¶ 3-5 & Exhibits A-B. Instead of employing this quick and inexpensive method of acquiring the Domain Name and stopping the alleged infringement, and even though the Domain Name was registered at least six years earlier, Plaintiff filed this baseless action against an improper party, several days before Christmas, with a request for a TRO. This fact pattern suggests that Plaintiff was seeking to strong-arm Go Daddy into a settlement with the threat of over-litigation of Plaintiff's baseless claims. Plaintiff's continued prosecution of this action even after it has secured transfer of the Domain Name via a later-filed *in rem* action further demonstrates Plaintiff's vexatious conduct in this action.

There is ample reason to be concerned that Plaintiff's vexatious conduct will continue. At the time of the first Case Management Conference, Plaintiff indicated that it would be willing to dismiss this action when the Domain Name was transferred in connection with the *in rem* proceeding. *See* Joint Case Management Conference Statement filed July 14, 2010 ("Second CMC Statement") at 2-3; Slafsky Decl. ¶ 6. However, Plaintiff changed its position when it learned that the non-party Registrant had registered a second domain name – <petronastowers.net> – even though this domain name is not mentioned in Plaintiff's Complaint and is not a part of the

present action against Go Daddy. *See* Second CMC Statement at 3; Slafsky Decl. ¶ 6. Again, instead of filing a UDRP action against the Registrant, Plaintiff sent a demand letter to Go Daddy – just as it did with the original Domain Name – demanding that Go Daddy "disable" the website. *See id.* Go Daddy responded as it did before – it notified Plaintiff that Go Daddy was not in a position to resolve this dispute, and suggested that Plaintiff direct its request to the Registrant or address its concerns through a proper administrative or court proceeding. *See id.* Based on Plaintiff's recurring groundless demands to Go Daddy, it is foreseeable that Plaintiff will also continue filing groundless lawsuits against Go Daddy as well. To discourage Plaintiff from such tactics, and to compensate Go Daddy for the resources it was required to expend as a result of Plaintiff's bad faith pursuit of baseless litigation against Go Daddy, attorneys' fees under section 1117 should be awarded to Go Daddy.

CONCLUSION

For the reasons stated above, Go Daddy's Motion for Judgment on the Pleadings should be granted and Plaintiff's Complaint should be dismissed. Go Daddy's Motion for an Order Finding Plaintiff Liable for Attorneys' Fees should also be granted. When the motion regarding liability for attorneys' fees is granted, Go Daddy will file a second motion with declarations and evidence to support the amount of attorneys' fees.

Dated: August 3, 2010

WILSON SONSINI GOODRICH & ROSATI
Professional Corporation

By: /s/ John L. Slafsky .
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