

**IN THE UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF COLORADO**

Civil Action No. 09-cv-00636-REB-KLM

VIDEO PROFESSOR, INC. a Colorado corporation,

Plaintiff,

v.

AMAZON.COM, INC., a Delaware corporation,

Defendant.

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**PLAINTIFF'S RESPONSE IN OPPOSITION TO DEFENDANT'S  
MOTION TO DECLARE CASE EXCEPTIONAL PURSUANT TO 15 U.S.C. § 1117**

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Video Professor, Inc. ("VPI") hereby responds to Defendant Amazon.com, Inc.'s Motion to Declare Case Exceptional Pursuant to 15 U.S.C. § 1117 and Award Defendant its Reasonable Attorney Fees [Doc. No. 79] ("Motion"), and states:

**I. INTRODUCTION**

After Defendant Amazon.com, Inc. ("Amazon") ignored two cease and desist demands, VPI sued to stop Amazon from using VPI's marks to divert traffic searching for VPI's Web site to its own, and, thereafter, from using the marks in a bait and switch scheme to sell Amazon's own directly competing products. After receiving summary judgment, Amazon seeks its attorney's fees arguing the case is "exceptional" under the Lanham Act. As framed by the Motion, the sole issue presented is whether VPI lacked any objective foundation for bringing the suit. While the court has not adopted VPI's

interpretation of the license, the action was well founded. Accordingly Amazon cannot meet its burden and the Motion should be denied.

## II. FACTUAL BACKGROUND AND PROCEDURAL HISTORY

Since 1987, VPI has invested over \$300 million building the national recognition and goodwill associated with its VIDEO PROFESSOR mark through, *inter alia*, hundreds of weekly television ads on major cable channels across the country. Notes of Testimony, David Laughlin, dated March 1, 2010, at p. 13:6-24, attached as **Exhibit 1** (discussing cable channels on which VPI advertises); see *also* Affidavit of John W. Scherer at ¶ 4, attached hereto as **Exhibit 2** (TV advertising expenditure). Since its inception, VPI has focused its business almost exclusively on direct sales to consumers and roughly 45% of its \$175 million in gross annual sales from 2007 to 2009, were through VPI's Web site. **Exhibit 2**, at ¶¶ 5, 10.

On December 18, 2003, believing a relationship with the Nation's leading Internet retailer would provide a new channel of marketing and result in increased sales, VPI entered into a Vendor Manual agreement with Amazon (the "Vendor Manual"). Exhibit A to Motion. In this action, VPI asserted that the Vendor Manual and the license contained therein did not authorize keyword or bait and switch advertising using VPI's marks. VPI based this assertion on, *inter alia*, its good faith interpretation of the Vendor Manual as a whole, the express purpose of the Vendor Manual and Washington law.

The Vendor Manual was silent with respect to “keyword advertising,” which had not grown to its current prominence in e-marketing;<sup>1</sup> however, the agreement did grant Amazon a generic license to use VPI’s marks to promote and sell the VPI products. See *id.* at p. 7, Section III(4). The license provided:

[VPI] . . . grants to Amazon.com a non-exclusive, worldwide, perpetual, and royalty-free license to . . . (c) use all trademarks . . . . **If [VPI] fails to provide . . . [the license to use its marks, VPI] acknowledges that Amazon.com will not be able to sell or promote [VPI’s products] on its website and [VPI] agrees at its . . . cost . . . to accept returns [from Amazon] of all [products provided to Amazon] . . . .**

*Id.* (emphasis added). The Vendor Manual likewise did not provide that Amazon could utilize VPI’s marks to sell its own directly competing products. See *generally id.* Thus, VPI reasonably believed that the license given Amazon was limited to the promotion and sale of VPI products only and was revocable at the will of VPI. If revoked, Amazon’s sole recourse was to require VPI to buy back its products. See *id.*

Amazon’s asserted evidence of VPI’s alleged lack of foundation in bringing the action is meritless. Amazon cites first to the Rule 30(b)(6) deposition testimony of Mr. Laughlin. See Motion at p. 3. Mr. Laughlin stated that “[t]he vendor agreement, I believe, **specifically allowed** [Amazon] to utilize the ‘video professor’ keyword in order to sell Video [P]rofessor product.” Motion at Exhibit B, p. 108:5-13 (emphasis added). Amazon’s attempt to paint the testimony as an admission that VPI lacked any basis for the suit, see Motion at pp. 3-4, fails for at least three reasons.

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<sup>1</sup> VPI believes that it was not until 2004 that Google first “allow[ed] advertisers to bid on . . . the trademarks of their competitors,” the year following the execution of the Vendor Manual. <http://en.wikipedia.org/wiki/AdWords> (follow “Contents: 10 Allowed keywords” hyperlink); attached hereto as **Exhibit 2-A** (last visited June 1, 2010); see also **Exhibit 2** at ¶ 11.

First, Mr. Laughlin was objectively mistaken. The license is absolutely silent regarding keyword advertising, and so, per force, the license could not “specifically” allow it. *Compare* Exhibit A to Motion at p. 7, Section III(4) (license), *with* Exhibit B to Motion at pg. 108:5-13. Second, his statement was a qualified statement of his belief, which belief was incorrect. *See id.* Third, and strictly *arguendo*, even if his “belief” was correct regarding keyword advertising, his testimony says nothing regarding whether the license authorized Amazon’s “bait and switch” landing page scheme discussed below. Accordingly, the alleged admission by VPI that it had no foundation for the suit fails.

Rather, VPI’s position in this case has always been that the license was drafted in such general terms that it required Amazon to exercise considerable discretion in utilizing VPI’s marks, thereby implicating the duty of good faith and fair dealing. Further, keyword advertising utilizing a competitor’s trademarks was not a reality of e-commerce until first offered by Google in 2004, *the year following VPI’s execution of the Vendor Manual.*<sup>2</sup> *See supra* note 1 and accompanying text.

Arguably even worse than the keyword advertising, prior to bringing the action VPI realized that Amazon was engaging in “bait and switch” advertising, whereby when potential VPI consumers searching for VPI’s mark “clicked” on an Amazon sponsored link ad on a search engine’s Web site, they were taken to an Amazon landing page whereon Amazon represented to the consumers that they were being presented with VPI products. In fact, however, they were being shown Amazon’s own directly

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<sup>2</sup> Due to the significant difference in profits between sales to Amazon and direct sales to customers, VPI would never have expressly agreed to allow Amazon to use VPI’s mark to divert traffic searching for its mark, which form of keyword advertising was not even possible in 2003. **Exhibit 2**, ¶¶ 11-13.

competing “Professor Teaches” products. See Complaint at ¶¶ 25-30; see also *id.* at Exhibit B, attached hereto as **Exhibit 2-B** (landing page); **Exhibit 2**, ¶¶ 14-15. VPI remains firm in its belief that there is a high likelihood of direct consumer confusion from the landing page, as well as initial interest confusion from the keyword advertising as a matter of law under *Australian Gold, Inc. v. Hatfield*, 436 F.3d 1228 (10<sup>th</sup> Cir. 2006).

Upon discovery of Amazon’s conduct, VPI promptly terminated the Vendor Manual in July, 2008. See **Exhibit 2**, ¶ 16; **Exhibit 2-C** (termination letter). Thereafter, when the conduct continued, VPI issued two cease and desist demands in February and March, 2009. **Exhibits 2**, ¶ 17; **2-D** and **2-E**, respectively. Amazon ignored both and continued the conduct.<sup>3</sup> Amazon avoids the two desist demands in its Motion, and does not attempt to explain why Amazon failed to respond, and, instead, inexplicably continued to issue purchase orders (“PO’s”) to VPI. See Motion at p. 4.

Amazon attempts to offer its improper post-termination PO’s as alleged evidence of VPI’s lack of foundation for initiating the action. See Motion at p. 4. Amazon argues that by filling Amazon’s post-termination PO’s, the termination was ineffective and the agreement was revived. *Id.* The VPI employees who received and filled the PO’s were unaware of the termination of the Amazon relationship and associated trademark dispute, and simply filled the orders. **Exhibit 2**, ¶ 19. Due in part to the low volume of the units ordered under Amazon’s improper post-termination PO’s, VPI management was unaware of Amazon’s continued insistence on ordering VPI products despite VPI

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<sup>3</sup> In fact, the practice continued at least through July, 2009, following VPI’s initiation of the action in March, 2009, after Amazon ignored the second cease and desist demand. See **Exhibits 2**, ¶ 18 and **2-F** (7/7/09 screen shot).

terminating the agreement. *Id.* Waiver, acquiescence or ratification must be a knowing act, and, because VPI management was unaware of the PO's, this argument also fails. *See, e.g., Ward v. Richards & Rossano, Inc., P.S.*, 754 P.2d 120, 127 (Wash. App. 1988) (ratification and waiver must be based on knowledge).

Moreover, Amazon's assertion of post-termination sales misses the point. VPI's position is that *even if in effect*, the license provision should not be enforced so as to authorize the keyword or bait and switch advertising. Put plainly, VPI asserts that Amazon (a licensee) violated the license through its abuse of the broad discretion allowed therein and the concomitant breach of its duty of good faith.<sup>4</sup> Accordingly, the post-termination orders cannot evidence a lack of foundation. Amazon's post-termination advertising does, however, evidence its willful and deliberate nature.

Following the filing of cross-motions for summary judgment, the court issued an order awarding Amazon summary judgment on each of VPI's claims based exclusively on its finding that the license authorized the complained-of conduct. *See generally*, Order [Doc. No. 74]. Amazon then filed the instant Motion, claiming that because of the Court's finding regarding the license, VPI had no reasonable objective foundation to bring the action.<sup>5</sup> On May 20, 2010, VPI filed a Notice of Appeal. [Doc. No. 81].

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<sup>4</sup> *See, e.g., Plaintiff's Response in Opposition to Defendant's Motion for Summary Judgment* [Doc. No. 39], at p. 6 (arguing *Bunn-O-Matic Corp. v. Bunn Coffee Service, Inc.*, 88 F. Supp. 2d 914, 921-22 (C.D. Ill. 2000) supported argument that Amazon breached the license by engaging in uses that were not expressly authorized); *see also* 4 McCarthy on Trademarks and Unfair Competition § 25:30 (4<sup>th</sup> ed.).

<sup>5</sup> Amazon does not make a legitimate attempt to argue VPI acted in subjective bad faith, to harass or that other equitable considerations warrant an award of fees. *See generally*, Motion (arguing almost exclusively based on an alleged lack of objective foundation); *but see id.* at p. 10 (wherein Amazon, after arguing bad faith is not required, suggests in passing that the suit may have been brought with the subjective intent to "hinder the legitimate resale" of VPI products on the Amazon Web site). Any assertion of subjective bad faith would be meritless. First, VPI entered into the Vendor Manual agreement so that Amazon could fairly sell VPI's products on Amazon's Web site. If VPI had a blanket policy against other

### III. ARGUMENT

#### A. The Case is Not “Exceptional” Under the Lanham Act.

Section 1117(a) of the Lanham Act grants the Court discretion to award a prevailing party its fees if the case is “exceptional.” 15 U.S.C. § 1117(a). “Exceptional” is not defined in the Lanham Act; however, the Tenth Circuit has considered the meaning of the term where a defendant seeks its fees under the statute.

In *National Ass’n of Professional Baseball Leagues, Inc. v. Very Minor Leagues, Inc.*, 223 F.3d 1143 (10<sup>th</sup> Cir. 2000), the defendant received a jury verdict on, *inter alia*, the plaintiff’s trademark infringement claim, and, thereafter, moved for its fees under Section 1117(a). *Id.* at 1146. The motion was denied based on a lack of bad faith. See *id.* In defining on appeal the parameters of what constitutes an “exceptional” case where a defendant prevails, the Tenth Circuit cited the legislative history and noted two concerns: first, suits which are objectively “unfounded,” and, second, actions brought with the subjective purpose of “harassment and the like.” *Id.* “[E]quitable considerations” are to guide the courts and a finding of any one factor is not determinative. *Id.*

To be so “exceptional” as to vest discretion to consider an award, a prevailing defendant must prove: (1) the suit’s objective lack of any foundation; (2) the plaintiff’s subjective bad faith in bringing the suit; (3) the plaintiff’s unusually vexatious and oppressive manner of prosecuting the suit; or (4) perhaps other reasons as well. See

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authorized retailers selling its products, why would VPI enter into the Vendor Manual agreement? Second, the quote offered in alleged support of possible bad faith is intentionally taken out of context. During that line of questioning, Mr. Laughlin was being asked about a no resale provision in VPI’s terms of usage agreement with its individual customers, and not about whether VPI had a policy against sales by authorized retailers. See **Exhibit 1** at 31:4-34:25. Amazon’s subjective bad faith assertion—if that is what it is—is half-hearted at best.

*id.* at 1147. “Not every losing suit is without foundation, and not every strategic decision . . . in bringing suit . . . is done for the purpose of harassment . . . .” *Id.* at 1147. “[T]he district courts are quite able to decide which are exceptional cases, as opposed to routine . . . . [T]he party seeking [an award must show] that the other party acted in an ‘exceptional’ manner, rather than merely in a wrong manner . . . .” *Id.* at 1149.

In holding that the action was not exceptional, the court noted the plaintiff had brought forth “some evidence,” and, therefore, the suit was not objectively unfounded. *Id.* Further, the defendant failed to establish that the suit was brought in bad faith or to harass, despite the defendant bringing the action when an administrative proceeding was nearing completion, and in filing in a district from which it was transferred. *See id.*

The overwhelming majority of reported decisions in this circuit similarly decline to award fees to a prevailing defendant. *See, e.g., King v. PA Consulting Group, Inc.*, 485 F.3d 577, 593 (10<sup>th</sup> Cir. 2007) (where plaintiff provided factual underpinnings of Lanham Act violation in complaint and supported it with evidence, no lack of objective foundation shown, stating “the evidence was not so exceptionally weak, from an objective point of view, that [the defendant] was entitled to . . . fees.”).<sup>6</sup>

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<sup>6</sup> *See also United States Surgical Corp. v. Orris, Inc.*, 47 F. Supp. 2d 1270, 1271-72 (D. Kans. 1999) (after summary judgment for defendant and unsuccessful appeal, defendant denied fees and court stating it was “unwilling to infer from its grant of summary judgment that plaintiff’s patent [or trademark] claims were frivolous. Not every claim that is dismissed at the summary judgment stage is frivolous. Plaintiff asserted claims that had merit under plaintiff’s interpretation of the law. The court, however, rejected [its] interpretation . . . .”). With respect to the subjective factor (though not legitimately at issue in the instant Motion, *see supra* note 5 and accompanying text), the court stated that the defendants had failed to come forward with sufficient evidence of vexatious or unjustifiable litigation, noting that plaintiff’s claims were meritorious under its interpretation of the law. *See id.* at 1271-72. Even in the most extreme of cases, courts have been loath to deem them exceptional. *San Juan Prods., Inc. v. San Juan Pools of Kansas, Inc.*, 849 F.2d 468, 475 n.13; 476 (10<sup>th</sup> Cir. 1988) (case not “exceptional” despite finding plaintiff conducted action “for no other reason than to intimidate the defendants” and case was “wholly frivolous”).

By contrast, examples in this circuit where a case is deemed exceptional when a defendant prevails are exceedingly rare, a fact highlighting the exceptional nature of the remedy. Counsel was able to identify only one reported case, *Lorillard Tobacco Co. v. Engida*, 556 F. Supp. 2d 1209 (D. Colo. 2008), the facts of which underscore why the instant case is not “exceptional.” In *Lorillard*, a cigarette manufacturer purchased two packs of its cigarettes from a liquor store, which it later determined were counterfeit. *Id.* at 1211. The company immediately brought suit under the Lanham Act, seeking, *inter alia*, an *ex parte* seizure order and a preliminary injunction. *Id.* A seizure order was issued and carried out, and no Lorillard cigarettes were found, genuine or otherwise. *Id.*

The court denied the plaintiff's motion for preliminary injunction, and on appeal the Tenth Circuit affirmed, denying a subsequent motion to reconsider. *Id.* at 1212; 1213. Refusing to accept the result, Lorillard then sought a writ of certiorari from the United States Supreme Court, which denied review. *See id.* Months later, Lorillard filed a notice of dismissal without prejudice, and the defendant responded with a motion to dismiss with prejudice and sought an award of fees under Section 1117. *Id.*

In finding the case “exceptional” based upon the objective lack of foundation for the various appeals, an intent to harass, and the vexatious manner of the litigation strategy, the court found significant that: (1) the defendant offered to assist in the investigation; (2) had requested the plaintiff conduct a Rule 65 hearing prior to the first appeal; (3) had repeatedly attempted to settle the case; (4) the plaintiff refused and insisted on numerous appeals all the way to the Supreme Court; and (5) the plaintiff knew the defendant lacked the means to defend in protracted litigation. *Id.* at 1214.

In stark contrast, VPI brought suit based upon considerable evidence of Amazon's willful, deliberate and continuing infringement of its marks, controlling trademark case law directly on point and, as set forth *infra*, an objective foundation rooted in Washington law to support its position that the license did not authorize the keyword and bait and switch advertising schemes. Also, prior to filing, VPI terminated the contract and issued two cease and desist demands, all of which Amazon ignored.

Amazon's argument that this case is a "mirror image" to those cases where an infringer acts without a license, see Motion at pp. 11-13, fails to appreciate the fact that in *National Ass'n of Professional Baseball Leagues, supra*, the court expressly rejected the same analogy due to the difference in considerations between the conduct of a plaintiff and defendant. *Nat'l Ass'n of Prof'l Baseball Leagues, Inc.*, 223 F.3d at 1148 ("[W]e disagree that there . . . even could be, perfect harmony between the standard for awarding . . . fees to a . . . plaintiff and a . . . defendant. The underlying conduct under scrutiny is different."). Accordingly, the analogy fails and the cases are inapposite.

**B. VPI Had an Objective Foundation for its Interpretation of the License.**

When read in isolation, the license contained within Amazon's 40-plus page Vendor Manual granted Amazon unfettered discretion to utilize VPI's marks. Due to this discretion, and based upon the context and purpose of the agreement, as well as the parties' intent in entering into the agreement, VPI primarily argued that the duty of good

faith and fair dealing proscribed Amazon's conduct. See, e.g., [Doc. No. 39] at p. 7 (Response); [Doc. No. 45] at p. 6 (Cross-Motion;) and [Doc. No. 48] at pp. 3-5 (Reply).<sup>7</sup>

Amazon argued in its motion for summary judgment, and the Court held, that due to the plain meaning of the express terms of the license standing alone, and in particular its unlimited breadth, VPI had authorized Amazon's keyword advertising as well as the contents of the landing page. Although not adopted by the Court, VPI had an objective foundation for its interpretation of the license under Washington contract law.

i. Washington's law on contract interpretation. In addition to the "plain meaning rule" relied upon by the Court in its Order, Washington has also adopted the "context rule" to determine the parties' intent in utilizing specific contract terms. *Berg v. Hudesman*, 801 P.2d 222, 229 (Wash. 1990), *en banc*. In *Berg*, the court recognized the difficulties associated with interpreting contracts based solely on the "plain meaning" of words in the document. See, e.g., *Hearst Commcns., Inc. v. Seattle Times Co.*, 115 P.3d 262, 266 (Wash. 2005), *en banc*. In *Hearst, supra*, the Washington Supreme Court provided that in *Berg* it had recognized that "the meaning of a contract can almost never be plain except in context." *Id.* (quotations omitted). As the court explained:

[In *Berg*, w]e adopted the "context rule" and recognized that [the] intent of . . . contracting parties cannot be interpreted without examining the context surrounding [its] execution. If relevant for determining mutual intent, extrinsic evidence may include (1) the subject matter and objective of the contract, (2) all the circumstances surrounding the making of the contract, (3) the subsequent acts and conduct of the parties, and (4) the reasonableness of respective interpretations urged by the parties.

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<sup>7</sup> Due to pagination limitations and the fact that VPI's assertions regarding Washington's context rule and law on the duty of good faith establishes its objective foundation for its interpretation of the license, the other two bases argued by VPI will not be further briefed herein, *i.e.*, public policy and unconscionability.

*Id.* As *Hearst* made clear, *Berg*'s context rule is to be used "to determine the meaning of specific words and terms used " and not to "show an intention independent of the instrument" or to "vary, contradict or modify the written word." *Id.* at 267 (emphasis in original) (internal quotations retained, citation omitted). While *Hearst* explained the context rule and reaffirmed Washington's subscription to the objective manifestation theory, it did not overturn *Berg* or its context rule, which remain good law.<sup>8</sup> Accordingly, to determine the meaning and intent of the actual express language used by contracting parties (in this case, the license), in addition to considering the totality of the contract, courts should consider the four factors set forth above. *Id.*

As applied to the Vendor Manual and its license, when VPI brought suit, it had a reasonable objective belief that under Washington contract law, the context for granting the license as expressed in the agreement regarding its actual purpose, *i.e.*, to allow Amazon to purchase and promote VPI products on its Web site, would inform and limit the otherwise unlimited scope of the license provision so as to preclude keyword or bait and switch advertising. *See id.* Further, regarding post-execution conduct, VPI terminated the agreement when it discovered Amazon was engaging in keyword advertising using its mark, thereby evidencing that VPI never intended the agreement or the license to allow it. *Id.* Additionally, VPI believed that its interpretation of the license, when viewed in the context of the entire agreement and its purpose, was "the [most]

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<sup>8</sup> *See, e.g., Bellingham BSC LLC v. Ambulatory Res. Ctrs. of Washington, Inc.*, 154 Wash. App. 1047, 2010 WL 682527, \*2 n.9 (Wash. App., March 1, 2010) (unreported decision citing *Berg* for context rule); *Scribner v. Worldcom, Inc.*, 249 F.3d 902, 907 (9<sup>th</sup> Cir. 2001) (citing *Berg* for context rule); *see also Layman v. The Permanent Portfolio Family of Funds, Inc.*, 2005 WL 2898050 (W.D. Wash., Oct. 31, 2005) (unreported decision) (citing *Scribner and Berg, supra*, for manner of determining parties' intent and providing "but see" citation reference to *Hearst, supra*).

reasonable[] of [the two] respective interpretations” and, therefore, would be adopted by the Court.<sup>9</sup> See *id.* Contrary to Amazon's assertions in the Motion, VPI had a strong objective foundation for its assertion that the license did not allow Amazon's conduct.

ii. Washington's Duty of Good Faith and Fair Dealing. Washington's duty of good faith likewise establishes VPI's objective foundation for its legal arguments regarding the license.<sup>10</sup> VPI firmly believed Amazon was obligated to “exercise the discretion [granted under the license] in good faith—a requirement that includes the duty to exercise the discretion reasonably.” *Curtis v. Northern Life Ins. Co.*, 2008 WL 4927365, \*5 (Wash. App., Nov. 17, 2008) (unreported decision) (quoting *Craig v. Pillsbury Non-Qualified Pension Plan*, 458 F.3d 748, 752 (8<sup>th</sup> Cir. 2006) (applying Washington law)). “Thus good faith limits the authority of a party retaining discretion to interpret contract terms; it does not provide a blank check for the party to define terms however it chooses.” *Id.* (quoting *Scribner*, 249 F.3d at 910).

At the time VPI filed suit (and today), VPI believed in good faith that in exercising its discretion under the license, Amazon acted unreasonably and in bad faith by utilizing

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<sup>9</sup> Importantly, VPI did not argue that the context of the entire agreement or other extrinsic evidence “show[ed] an intention independent of the instrument,” nor did VPI attempt to “vary, contradict or modify the written word.” *Hearst Commcns., Inc.*, 115 P.3d at 267. Rather, VPI sought to explain and define the super-generic terms of the license, which, under Washington's context rule, is wholly appropriate. See, e.g., *id.* (reaffirming context rule where not used to vary the terms used).

<sup>10</sup> While the Court cited to *Black v. National Merit Ins. Co.*, 226 P.3d 175, 183 (Wash. App. 2010) for the proposition that “if contract terms are clear and unambiguous, a court must enforce the contract as written[.]” Order at p. 6, the *Black* court provided that if the contract is clear “when viewed as a whole,” the court must enforce it. See *id.* (emphasis added). In holding that the license was plain on its face and was unlimited in scope, thereby authorizing Amazon's conduct, the Court focused not on the context of the contract or the contract “as a whole,” but rather, focused solely on the several words of the license. See Order at p. 6. Just two lines below the license, the contract provided that if VPI did not grant the license, Amazon would not be able to sell VPI's products. Exhibit A to Motion at p. 7. This provision supports VPI's contention that the license was intended to allow Amazon to market and sell VPI products; not those of its direct competitors. Moreover, keyword advertising using third-party trademarks was not even offered by Google at the time the license was granted, and so could not have been intended to be included within the scope of the license. See *supra* note 1 and accompanying text.

VPI's marks to improperly divert Internet traffic searching for VPI, and, per force, in using VPI's marks in the bait and switch scheme on the landing page. The Court, however, held that the duty of good faith will "not trump the unambiguous terms of a contract[.]" and so, because the license was so broad, the complained-of conduct was "authorized explicitly in the Vendor Manual." Order at p. 7 (emphasis added).

Washington law on the duty of good faith is clear that it will "not contradict terms or conditions for which a party has bargained." *Goodyear Tire & Rubber Co. v. Whiteman Tire, Inc.*, 935 P.2d 628, 632 (Wash. App. 1997). However, the contract term must be an express term in order to trump the duty of good faith and fair dealing. See *id.* at 633 (in *dicta* citing *Badgett v. Security State Bank*, 807 P.2d 356 (Wash. 1991)).

If the license had expressly allowed keyword advertising or to sell directly competing products, the duty of good faith could not act to contradict those theoretical and absent express terms. See, e.g., *Badgett*, 807 P.2d at 360 (duty of good faith does not require bank to negotiate new loan where parties' contract expressly stated "additional advances or increased commitments for any purpose are not contemplated at this time").<sup>11</sup> The license here, however, did not expressly allow the complained-of conduct, and, therefore, VPI reasonably believed that the duty of good faith would apply and call into question whether Amazon acted reasonably and in good faith. For example, in *Curtis, supra*, the court of appeals reversed summary judgment for a defendant and found a genuine issue of fact regarding whether an insurance company

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<sup>11</sup> See also *Goodyear Tire and Rubber Co.*, 935 P.2d at 634 (where franchise agreement expressly reserved franchisor's right to compete in franchisee's sales territory, duty of good faith does not act to preclude the franchisor from competing in franchisee's territory); *Meyers v. State*, 218 P.3d 241, 244 (Wash. App. 2009) (where contract expressly set forth right to terminate for convenience, duty of good faith does not require showing of cause to terminate) (cited by the Court, Order p.7).

acted reasonably and in good faith in determining interest rates where the contract did not specify the method of calculation. *Curtis*, 2008 WL 4927365 at \*6. Here, the license did not define what uses were authorized, thereby allowing discretion, implicating the duty, and, at a minimum, precluded summary judgment.<sup>12</sup> *See id.*

VPI had an objective foundation well grounded in the law of Washington to believe that the license would not be enforced so as to authorize the complained-of conduct. The Court's refusal to adopt VPI's interpretation of the law does not render the action "unfounded" or exceptional. *See Orris, Inc.*, 47 F. Supp. 2d at 1272.

#### IV. CONCLUSION

Based upon the foregoing, VPI's interpretation of the parties' agreement and related license was well founded in the both the facts and Washington contract law. Amazon's attempt to elevate the routine to the status of the exceptional should be rejected and the Court should deny the Motion.

Respectfully submitted this 1<sup>st</sup> day of June, 2010.

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<sup>12</sup> VPI asserted that under *Australian Gold, Inc. supra*, as a matter of law the use represented initial interest confusion under the Lanham Act and, therefore, could not be a reasonable or good faith use, thereby entitling VPI to summary judgment.

## CERTIFICATE OF SERVICE

I hereby certify that on the 1<sup>st</sup> day of June, 2010, a true and correct copy of the foregoing was sent CM/ECF system addressed as follows:

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