IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF MICHIGAN

THE WEATHER UNDERGROUND, INC.,
a Michigan corporation,

Plaintiff,

Case No. 2:09-cv-10756
Hon. Marianne O. Battani

vs.

NAVIGATION CATALYST SYSTEMS, INC.,
a Delaware corporation; BASIC FUSION, INC.,
a Delaware corporation; CONNEXUS CORP.,
a Delaware corporation; and FIRSTLOOK, INC.,
a Delaware corporation,

Defendant.
_______________________________________/

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PLAINTIFF'S RESPONSE TO DEFENDANTS' MOTION IN LIMINE NO. 1 REGARDING OTHER LAWSUITS OR DISPUTES BETWEEN DEFENDANTS AND OTHER PARTIES

NOW COME Plaintiff, by and through counsel, TRAVERSE LEGAL, PLC and HOOPER HATHAWAY, P.C., and hereby submits its response to Defendants' Motion in Limine No. 1 regarding other lawsuits or disputes between Defendants and other parties and states as follows:

A. The Existence of Threat Letters, UDRPs and ACPA lawsuits is Relevant.

Defendants have taken the interesting position that third party threat letters alleging trademark infringement, UDRP arbitrations for cybersquatting and ACPA lawsuits filed against them are not relevant to this case. Essentially, Defendants seeks to make this case purely about the 270 or so domains that are typos, words swaps and other variations of Plaintiff's trademarks. In this regard, Defendants argue:

> This is a lawsuit about one unique set of allegations, specifically whether Defendants' registration of various domain names violated Plaintiff's purported rights in its trademarks. It is not a lawsuit about Defendants' business practices, in general, or what disputes other parties have had over domain names. Nor is this a lawsuit about Defendants' character or behavior patterns. (Defendants' Brief p. 3.)

1. Defendants' Business Model

Contrary to Defendants' argument, this is a lawsuit about Defendants business practice of using DNS error data (data which shows when internet users misspell a domain name of a "real web site" and where there is no domain registered yet) to register domains which have enough typo-traffic to show advertisements, get paid for advertising "clicks", and drive profits based on volume or bulk registration. Where a single typo variation of a trademark protected domain name might only yield $100 in profits per year, registration of hundreds of thousands of such infringing domains can result in tens of millions in dollars in profits, or more. Defendants' business model was to make as much profit off infringing domains until and unless a trademark owner caught them. Only after getting caught would Defendants transfer the domain name to the trademark owner, delete the domain name, or make any real effort to avoid further infringement.

2. Defendants Intent & Behavior Patterns

Contrary to Defendants arguments, its business practices, motive, and intent are the primary issues in this case. Defendants have argued in deposition that their handling of trademark threat letters and turning over domains to trademark owners is evidence of good faith. Plaintiff argues that the handling of those threat letters is merely a part of their effort to minimize risk of being sued under a knowingly unlawful business model, but more importantly further notice of trademark rights.

3. General Background

Plaintiffs have not identified as exhibits, in bulk, the tens of thousands of trademark infringement threat letters and responses thereto. Instead, Plaintiff is offering a spreadsheet produced by Defendants which supposedly shows each threat letter received, the domains at issue, whether Defendants agreed that their domain was confusingly similar, and whether they transferred or deleted that domain. Sample pages from that spreadsheet are attached as ***Exhibit A***. In certain instances, emails and other communications related to threat letters are being introduced to show notice, internal procedures for handling trademark claims, and admission of registering domain names that are confusingly similar to third party trademarks.

The president of Firstlook, Seth Jacoby, testified about their standard process of always giving back domain names to third parties who had legitimate trademark rights. The fact that they give domain names back to trademark owners with legitimate trademark claims is being used as a primary defense to Plaintiff's claim of bad faith. Seth Jacoby testified:

> "The policy of the company has always been, if there's a cease and desist letter of someone with legitimate rights, then the domain name is transferred to the complainant." (***Exhibit B***; Deposition of Seth Jacoby at pg. 114.)
>
> "we made the decision that legal should hand over domain names that, through their legal advice, infringed on third parties." (***Exhibit B***; Deposition of Seth Jacoby at pg. 115.)
>
> "God forbid we missed a trademark holder who had a legitimate claim .." (***Exhibit B***; Deposition of Seth Jacoby at pg. 299.)
>
> "Q. Would it have been the standard process that, upon receiving a UDRP complaint asserting trademark rights, that there would have been a review internally as to whether or not they were quote/unquote, legitimate?
>
> A. Yeh, that's right.
>
> Q. Okay. And if legitimate, what would be the standard process? If the trademark complaints were legitimate, what would you typically do?
>
> A: We would typically put those marks on the blacklist.
>
> Q. Okay, and would you also potentially offer to transfer those domains –
>
> A. Of course, yes, in all cases. "(***Exhibit B***; Deposition of Seth Jacoby at pgs. 331-332.)

Defendants' in house compliance manager and in house counsel, Chris Pirrone, stated that he transferred domains to third parties who complained where he "thought there as a valid trademark claim." (***Exhibit C***, Deposition of Chris Pirrone at pgs. 75, 87.) Mr. Pirrone also confirmed that when threat letters and UDRPs came across his desk, "the business people knew that – that if it [the trademark] was marked or identified, that they - that they were going to lose that argument …" (***Exhibit C***, Deposition of Chris Pirrone at pgs. 162-163.) Numerous exhibits describe the trademark review process as one where Defendants determine when third parties have asserted legitimate trademark rights in a domain and then transfer it to the trademark owner. (***Exhibit C***, Deposition of Chris Pirrone at pgs. 229-230.)

Numerous witnesses also testified that Defendants blacklist, discussed below, was compiled from threat letters, UDRP complaints and ACPA lawsuits. (***Exhibit C***, Deposition of Chris Pirrone at pgs. 216-217.) Compliance Manger Lily Stevenson testified:

> "The blacklist database is a list that we have. Any C&Ds that come in, any UDRPs, any WIPOs, I'll put in the extensions of the trademark and the variations that I think it will trigger." (***Exhibit D***, Deposition of Lily Stevenson at pgs. 109-110.)

President Seth Jacoby confirmed that the source of blacklist terms came from third party trademark threats. (***Exhibit B***; Deposition of Seth Jacoby at pgs. 80-81.) This blacklist was the primary tool Defendants say they used to avoid registering trademark-protected domains. Since the blacklist is Defendants primary piece of evidence, the jury is entitled to know how and why the blacklist was compiled, as well as the key fact that it contained character strings of trademarks for which Defendants had received a trademark threat.

The importance of threat letters as relevant across many key issues in the case is illustrated by Mr. Pirrone. Pirrone defended the registration of "trave3locity.com" by stating essentially that until he received a threat letter from Travelocity, he would not be aware that the word "Travelocity" infringed third party trademark rights. (***Exhibit C***, Deposition of Chris Pirrone at pgs. 167-173). Threat letters are the primary way that Defendants state they have "actual notice" of third party trademark rights. Once they receive third party notice, they transfer the domain in "good faith." Defendants use this same "actual notice" defense with regard to Plaintiff's trademarks. Until they received Plaintiff's UDRP Complaint, they had allegedly never heard of Plaintiff. Once they received the UDRP, they analyzed the claims and agreed they needed to transfer the domains. They then blacklisted the domains and trademarks from Plaintiff's UDRP as a "good faith" effort to avoid further infringement.

With regard to the ACPA lawsuit filed by Verizon, the lawsuit is highly relevant since Defendants countersued Verizon for cybersquatting under the ACPA asking for statutory damages of up to $100,000 for thousands of alleged violations of their own trademarks. Essentially, Defendants sued Verizon for cybersquatting on nearly the exact same facts alleged by Plaintiff against Defendants here. (***Exhibit E,*** Verizon v. Navigation Catalyst Counterclaim.) In fact, Defendants claimed cybersquatting on their own registered trademarks, many of which are dictionary words such as "acrophobia", "backstage pass", "blank", "new.net", and "uproar". Defendants' defense in this case is that registration of dictionary words as stand alone words or in combination with other dictionary words – i.e., "weather" and "underground", or a typo of "underground" – can never be considered bad faith under the ACPA. The Verizon counterclaims are an admission, are completely contrary to the defenses offered, and go directly to credibility.

Ultimately, Rule 404(b)(2) applies and it shows intent, knowledge, identity (notice of trademark rights), absence of mistake, and lack of an accident. Note a cautionary instruction about the limited permissible use and not to show propensity for cybersquatting is likely. That said, ACPA Bad Faith Factor 8 specifically incorporates a propensity/pattern of conduct element.

Under 17 USC 1125(d), the jury is provided extremely broad consideration of evidence that might evidence a bad faith intent to profit from trademark infringing domains. 17 USC § 1125(d) makes Defendants' portfolio of domains and other third party trademark violations directly relevant to the primary issue in this case of bad faith. The Jury may consider "factors such as, but not limited to –

> (VIII) the person's registration or <u>acquisition of multiple domain names</u> which the <u>person knows</u> are identical or confusingly similar to <u>marks of others</u> that are distinctive at the time of registration of such domain names, or dilutive of famous marks of others that are famous at the time of registration of such domain names, without regard to the goods or services of the parties;"

"This factor was intended by Congress to target the "practice known as 'warehousing,' in which a cyberpirate registers multiple domain names—sometimes hundreds, even thousands—that mirror the trademarks of others." H.R.Rep. No. 106–412, at 13. See also Sen. Rep. No. 106–140, at 16." *Harrods Ltd. v. Sixty Internet Domain Names*, 302 F.3d 214, 239 (4th Cir. 2002).

Federal Rule of Evidence 402 defines relevant evidence as "evidence having any tendency to make the existence of any fact that is of consequence to the determination of the action more probable or less probable than it would be without the evidence." The fact that

Defendants were under constant threat of third party cybersquatting, near constant UDRP arbitrations and approximately nine ACPA lawsuits certainly makes it more probable that:

(a) Defendants knew (i.e. were on notice) their portfolio contained domains that violated third party trademarks.

(b) Defendants' portfolio in fact contained large numbers of trademark-protected domains.

(c) Defendants knew their business model of using DNS error data to identify unregistered domain names was feeding trademark-protected domains into their system.

(d) Defendants supposed trademark-screening process was wholly inadequate.

(e) Defendants were only turning over domain names after getting caught, keeping the remaining infringing domains until a trademark owner complained.

(f) Defendants had the bad faith intent to profit from third party trademarks under 17 USC 1125(d)(VIII).

In each instance of receiving notice of a trademark claim by a third party, through whatever source, Defendants analyzed the third party claim the exact same way they supposedly reviewed the domain for trademark issues prior to registration. In instances where Defendants admit that their domain name is confusingly similar to a third party mark, Defendants either transferred the domain to the trademark owner or deleted the domain from their portfolio.

A key question for the jury will be how easily Defendants can identify trademark violations after receiving a threat from a trademark owner, but not when they reviewed the domain for trademark issues originally for registration. Receiving dozens of threat letters for trademark infringement, and agreeing with the vast majority of complaints, is powerful evidence tending to make 'bad faith' more probable than not.

Since Defendants deny that they knew that tens of thousands of otherwise clearly infringing domain names were trademark protected, a key issue in the case has become "notice" of such trademarks. The jury can find that Defendants' registered domains which they knew were identical or confusingly similar to marks of others (i.e. "notice") from a variety of evidence including actual notice from trademark owners generally, and specifically, given the volume of threat letters, UDRP proceedings and ACPA lawsuits they were receiving, a jury could conclude that Defendants were aware that their portfolio contained large numbers of infringing domains. At a minimum, the threat letters should have triggered an early complete review of their registration process.

Defendants' primary defenses are that registration of domains typographically similar to Plaintiff's marks were a mistake, inadvertent or otherwise incidental to their business process. Defendants will argue that they were trying really hard to avoid third party trademarks by developing internal processes and software to avoid trademarks. A key piece of evidence involves Defendants "Blacklist" which they say they developed in 2004. This Blacklist is comprised of character strings (*i.e.* "microsoft" or "micros" or "crosoft") compiled and assembled from third party trademark infringement claims (the threat letters, UDRP proceedings and ACPA lawsuits). Defendants seek to establish "good faith" registration by arguing that once they received actual notice of a trademark through threat letter, UDRP or ACPA lawsuit, they transferred the domains and precluded registration of any further domains similar to those marks through the Blacklist.

How can Defendants seek to introduce exhibits and testimony about their use of the Blacklist to avoid trademarks without allowing Plaintiff to tell the jury how the list was compiled? How the Blacklist, which is one of Defendants' key defense exhibits, was compiled is highly relevant and inescapable given Defendants defenses.

Intent is the key issue in this case. Defendants say that Blacklisting character strings is powerful evidence of 'good faith.' Plaintiff argues that Defendants only avoided trademarks in cases where they had gotten caught.

Plaintiff can further show the jury that even after receiving third party notice of trademark infringement and concluding that the claims were indeed valid, Defendants continued to register infringing domains.

B. Threat Letters, UDRPs and ACPA Lawsuits Are Not Being Offered for the Truth of the Matter Asserted.

Defendants also argue that third party letters, emails and related evidence should be excluded under the rule against hearsay. Federal Rule of Evidence 801 defines hearsay as a statement that the declarant does not make while testifying at the current trial or hearing; and a party offers into evidence to prove the truth of the matter asserted in the statement.

Third party infringement letters, UDRPs and ACPA complaints are not being offered for the truth of the matter asserted in those letters. They are being offered to show notice of third party claims, knowledge of third party identity and marks, and as absence of mistake or accident in registration despite Defendants' process of supposedly avoiding trademark infringement. To the extent Defendants transferred the alleged infringing domain to the trademark owner after receiving a complaint, Defendants have admitted that they registered and used a domain name that was confusingly similar to a third party trademark. In Defendants' language, these are "legitimate" and "valid" third party trademark infringement claims. So while the initial threat letters may not prove infringement, defendants transfer of domains to the trademark owner are admissions against interest under Rule 801(d)(2).

Defendants' process of transferring domains after receiving "legitimate" trademark threats from third parties is admissible as admissions of a party opponent under Rule 801(d)(2)(A). See *Donlin v. Aramark Corp*., 162 F.R.D. 149, 150 (D. Utah 1995); *United States v. Ammar*, 714 F.2d 238, 254 (3d Cir.1983); *Mahlandt v. Wild Canid Survival & Research Center,* 588 F.2d 626 (8th Cir.1978); see *Comment to 1972 Proposed Rules to Rule 801(d)(2)(A)*. Under Rule 801(d)(2)(A), an admission in opinion form may be admissible even if it is an opinion of law. *Specht v. Jensen*, 832 F.2d 1516 (10th Cir.1987) rev'd in part on unrelated issue 853 F.2d 805 (10th Cir.1988) ("we screwed up and now were in trouble"); *Owens v. Atchinson Topeka & Santa Fe Ry. Co.,* 393 F.2d 77, 79 (5th Cir.1968); *Russell v. United Parcel Service Inc*., 666 F.2d 1188, 1190 n. 1 (8th Cir.1981); *McCormick, Evidence,* Vol. 2 § 256 4th ed. (1992) ("The statements normally include an application of a standard to the facts; thus they reveal the facts as the declarant thinks them to be, to which the standard of 'fault' or other legal or moral standard in involved in the statement was applied"); *Wigmore, Evidence* (Chadbourn rev. § 1053(3) (1972) ("The opinion rule (§ 1917 infra) does not limit the use of a party's admissions").

The spreadsheets kept by Defendants in the regular course of business to track third party trademark threats and transfer domains are also admissions under Rule 801(d)(2)(A). See *Misener v. Gen. Motors*, 165 F.R.D. 105, 107 (D. Utah 1996). These spreadsheets are also admissible as Records of a Regularly Conducted Activity under Rule 803.

> (6) Records of a Regularly Conducted Activity. A record of an act, event, condition, opinion, or diagnosis if:(A) the record was made at or near the time by--or from information transmitted by--someone with knowledge;(B) the record was kept in the course of a regularly conducted activity of a business, organization, occupation, or calling, whether or not for profit;(C) making the record was a regular practice of that activity;(D) all these conditions are shown by the testimony of the custodian or another qualified witness, or by a certification that complies with Rule 902(11) or (12) or with a statute permitting certification; and(E) neither the source of information nor the method or circumstances of preparation indicate a lack of trustworthiness.

Fed. R. Evid. 803.

C. Conclusion

Trademark infringement notices to Defendants are integral to Defendants' process of registering domain names. Defendants argue that until they receive notice from a trademark owner, they cannot have a "bad faith intent" to profit from the mark. When Defendants conclude they are infringing a third party trademark, they transfer the domain. The evidence is relevant to a variety of core issues in the case.

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Respectfully submitted this 27th day of February, 2012.

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CERTIFICATE OF SERVICE

I hereby certify that on the 27th day of February, 2012, I electronically filed the foregoing paper with the Court using the ECF system which will send notification of such filing to the following:

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