

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION

WEATHER UNDERGROUND,
INCORPORATED,

Plaintiff,

v

NAVIGATION CATALYST SYSTEMS,
INCORPORATED,

Defendant.

Case No. 09-CV-10756
U.S. Magistrate Judge
Virginia M. Morgan
Detroit, Michigan
March 15, 2010
2:45 p.m.

Ordered By:

ENRICO SCHAEFER, ESQ.

MOTION HEARING

APPEARANCES:

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Court Recorder:

N/A

Transcriber:

Deborah Kremlick

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1 (Court in Session)

2 THE CLERK: The Court calls case number 09-10756,
3 Weather Underground, Incorporated versus Navigation Catalyst
4 Systems, Incorporated. Will counsel please step forward and
5 identify themselves?

6 MR. SCHAEFER: Your Honor, Enrico Schaefer on behalf
7 of plaintiff Weather Underground.

8 MR. PATTI: Anthony Patti, co-counsel for the
9 plaintiff.

10 THE COURT: Okay.

11 MR. HUGET: Good afternoon, Your Honor. Michael
12 Huget on behalf of the defendant Navigation Catalyst Systems,
13 Inc.

14 THE COURT: Okay. We have some subpoenas at issue
15 today.

16 MR. HUGET: Yes, Your Honor.

17 THE COURT: Okay.

18 MR. HUGET: It's defendant's motion, would you like
19 me to proceed?

20 THE COURT: Yes.

21 MR. HUGET: Okay. Yes, Your Honor, we're here,
22 we're moving for a protective order on the third party
23 subpoenas that have been issued to companies such as Google
24 and Facebook and some other well known trademark owners.

25 The basis of our -- our motion is fairly simple and

1 straightforward. The information is -- is not necessary, it
2 exceeds the scope of allowable discovery. Essentially it's
3 harass -- it's harassment of significant third parties out
4 there designed for really no purpose that will advance this
5 case. And our goal and our motivation for being here today is
6 to try and keep -- trying to keep this case focused and keep
7 it -- keep it narrow.

8 All of these requests essentially -- what they're
9 essentially seeking is information from third parties about
10 their trademarks which is publicly available information,
11 information about whether these trademarks were ever asserted
12 against defendant Navigation Catalyst Systems by way of
13 lawsuit, cease and desist letters, whether there are licensing
14 agreements, just a whole host of information they're seeking
15 against Yahoo and Facebook for example relating to whether my
16 client Navigation Catalyst registered domains and then got
17 embroiled in a dispute with them essentially.

18 The pretext for this motion is -- is -- well, it goes to
19 our bad faith allegedly and whether we committed willful --
20 essentially willful infringement under one of the factors in
21 the -- in the Lanham Act. But it's the simple facts we're
22 focusing on, Your Honor here.

23 And that is whether multiple domains registered by the
24 defendant and did we know at the time, and that's a critical
25 limitation, at the time we registered these multiple domains

1 of these trademarks. And all the information they bear
2 looking for is information that would then come afterwards.

3 You know, you send a cease and desist letter, you send a
4 complaint, that sort of thing. It's information that is
5 either not relevant or information they can get from us. And
6 we're very early on the discovery process. We just
7 supplemented our initial disclosures and produced the first
8 set of documents and are in the process of producing more.

9 What we're trying to do, Your Honor -- accomplish is just
10 try and keep the -- let's -- let's try to keep the other
11 players out of this. There may become a point in time when
12 perhaps there is an isolated or a limited piece of information
13 that is in dispute and we need to bother Facebook and Yahoo
14 and these other players and haul them into Court, but right
15 now we don't need that. Let's keep this case focused and
16 that's -- that's the goal of our motion here.

17 These are -- these are just harassing subpoenas issued to
18 generate ill will against the defendants in the marketplace
19 quite frankly. We don't need this at this point and they
20 haven't advanced any -- any substantial need that they can't
21 get this information elsewhere.

22 I mean let's look at the very first request, the Yahoo
23 and Facebook for example. Send us your list of all your
24 trademarks, everything about your trademarks, unlimited
25 request for -- to Yahoo and others for their trademarks.

1 Well, those are public records. And we have offered to
2 -- we can stipulate. We can sit down as counsel and sit down
3 and figure out all right, these were registered, these were
4 not. We don't need to involve third parties in -- in such an
5 exercise. It's those kind of things that builds off of that,
6 the request then.

7 THE COURT: Well, if these guys ask for all their
8 trademarks, wouldn't that be up to Yahoo or Facebook or
9 whoever to object?

10 MR. HUGET: It would. We're just trying to avoid
11 that because we're going to get --

12 THE COURT: Because they need your help?

13 MR. HUGET: No, because it's going to cost us more
14 money as we go down the road. We're going to be involved in
15 these fights, we're going to be here during the other motion.
16 You can just -- the cascade of motions, this is -- this is
17 kind of the starting point. Maybe if they need to get
18 involved later it can be narrow and discreet. Why don't we
19 just push this off until later, move for a protective order on
20 these, work our way through discovery so we don't have to go
21 through the motions. You know what's that like, you get those
22 kind of motions all the time, the third party is going to come
23 in, we're going to have to spend time and money involved in as
24 those disputes go on.

25 We're -- we're -- we're at the critical juncture trying

1 to avoid that, that's why I'm here. I agree, ultimately it's
2 their fight and I'm not sitting here arguing trying to be
3 counsel for Facebook and Yahoo and everybody else. So I'm
4 trying to avoid -- avoid all that from happening later. And
5 quite honestly from creating more ill will and antagonism
6 toward our client.

7 THE COURT: Okay.

8 MR. HUGET: I can go through the requests
9 individually, Your Honor, but we've -- we've briefed that
10 fairly carefully, they're all fairly simple straightforward
11 objections that flow from that same -- those same basic
12 fundamental premises.

13 THE COURT: Okay. You know, I have a bunch of cases
14 like this and I'm -- I'm just trying to remember this in the
15 context of them.

16 MR. HUGET: We're the - we're the company,
17 Navigation is the company that has an automated system for
18 registering domain names. We have been sued by Weather
19 Underground which owns Wonderground and Weather Underground
20 trademarks for getting things that are close to their domains
21 that they believe is infringing. So what they're doing here
22 is going after a whole bunch of other defendants -- I'm sorry,
23 not defendants, a whole bunch of other third parties who may
24 be equally aggrieved even though they own a couple limited
25 marks. I'm going to keep this case from spiraling out of

1 control.

2 THE COURT: Okay. Steve, this is not the AAA case.
3 Okay. Okay.

4 MR. HUGET: Okay. Thank you, Your Honor.

5 MR. PATTI: Good afternoon, Your Honor.

6 THE COURT: Uh-huh.

7 MR. PATTI: This is the case where Navigation
8 Catalyst System has registered over 700,000 typographical
9 variations of essentially high traffic web sites. They design
10 software specifically to identify high volume web sites such
11 as Facebook, Netflix, Flickr, Weather Underground, our client
12 which is one of the most high traffic web sites in the world.

13 And they register all kinds of variations of
14 typographical errors. So www.wonderground.com, no dot. They
15 know that a surprisingly -- you will eventually see this data
16 in this case I'm sure, but shockingly high number of people
17 mistype domain names as a result of something called direct
18 navigation.

19 So instead of going to Google and saying I want to go to
20 Weather Underground, they actually go right to the browser
21 address bar and they type it in. That happens a lot and they
22 mistyped a lot.

23 And what they did is they designed an entire business
24 model on actually registering those variations of typos,
25 understanding what were the most typos -- the most high

1 traffic typos, and then targeting high traffic web sites.

2 Now high traffic web sites I think we all know are going
3 to be trademark protected. So they essentially have designed
4 an unlawful business model to engage in mass or habitual cyber
5 squatting which is a violation of part of the Lanham Act which
6 was in 1999 specifically enacted by Congress to give domain
7 names special trademark rights.

8 So if someone puts a trademark on a web site or on a
9 brochure, whether or not that is a violation of the trademark
10 statute, the Lanham Act, is something that can be debated.
11 And what Congress said is, but when it comes to domain names
12 these are special. They're like -- they're like the
13 storefront. They're like the name above the store. When
14 people see it they expect to go in that store, they expect it
15 to be what's on the storefront.

16 And so domain names have special protection. So
17 essentially what they don't want to have happen here, is
18 they've engaged in this mass typo squatting, cyber squatting,
19 clear violation of the statute and their real -- their defense
20 in this case is, we didn't do it, the software that we
21 designed did it. We can't have bad faith intent as is
22 required under the statutory damages provision of the cyber
23 squatting statute which is really what this case is, is you
24 know, we're never going to be able to unwind lost profits
25 here, so we go into the bad faith sections and say bad faith

1 cyber squatter, therefore the Judge in this case will be able
2 to award statutory damages.

3 So in order -- as all their defenses to this bad faith
4 claim they say well the software did it and then they have all
5 these defenses such as --

6 THE COURT: And we only have two employees or
7 something like that.

8 MR. PATTI: Or no employees where they have
9 affidavits --

10 THE COURT: Isn't it like this, no employees.

11 MR. PATTI: -- where they have affidavits saying we
12 have all these employees. We have -- here's the structure of
13 the company which is important because in our subpoena we ask
14 for -- we define who got the company as Navigation Catalyst
15 System and Basic Fusion and Firstlook and Connexus. These are
16 four companies that are all under the same roof, that all
17 share the same employees.

18 Part of the illegal model here is as of 19 -- I think --
19 or excuse me, as of 2007, this defendant Navigation Catalyst
20 System performed all the various functions in order to carry
21 out the scheme. They were the registrar which is the company
22 that can -- who can I register the domain names.

23 They offered Parking Services, Parking Services are the
24 software that generates and optimizes the ads that show up on
25 the page. So for instance in order to have -- they get paid

1 every time a consumer goes to that -- one of their pages,
2 their typo pages not realizing that it's a typo page, and sees
3 Weather.com as a link.

4 And they click on Weather.com. Well, again nothing on
5 that page says it's an advertising link, it's very deceptive.
6 But when someone clicks on that Weather.com ad which is served
7 up through Google Ad Sense, they get paid.

8 And so they want to optimize. So they optimize their
9 software to gravitate towards the trademark. So they know
10 that if someone comes to www.wonderground.com for instance,
11 they want to show that person one of our competitors' ads. So
12 it's the worst form, most egregious form business model
13 unlawful activity.

14 And what they're basically saying is, they don't want us
15 to be able to subpoena these third parties who are also being
16 cyber squatted because then they're going to know that they're
17 being cyber squatted. They might not know that some of the
18 domain names that we've identified already such as some of the
19 Facebook variations that you've seen with F-a-b-e-b-o-o-k
20 offering up social networking ads. They don't want us to send
21 a subpoena because then Facebook is going to know they're
22 being cyber squatted too.

23 Well, that's not a defense. It's like what they do is
24 they steal the car, they wait for someone to realize it, and
25 if someone complains then they give it back and they pretend

1 as though that would relieve them of responsibility for
2 stealing the car in the first instance.

3 Now this is not about us trying to drive more litigation
4 at Navigation Catalyst System. We assume there's some finite
5 amount of money there and it certainly does our client no good
6 if Facebook and Google and all these other companies start
7 suing NCS. Because now what's there going to be.

8 So we've been very strategic about rolling out third
9 party subpoenas. The reason why these third party subpoenas
10 are so relevant in this case is because of the cyber squatting
11 statute which lists eight non-exhaustive factors under the
12 statutory bad faith element that we have to prove.

13 One of those is whether or not they have registered
14 domain names of third parties that are trademark protected.
15 Well, that's exactly what these subpoenas are. We've asked
16 what their trademarks are, we actually talked to Mr. Delgado
17 as he sets forth in his affidavit in a meet and confer on
18 February 3rd over this very subpoena issue.

19 And we said well, number one, we don't think there's any
20 case law that says that we have to get all this information
21 from you that we have to trust you to provide this
22 information. So if you'll provide us some law that says if
23 there's information out there and the defendant has -- should
24 have control of it, that we can't go to the third party to get
25 it as well to verify. He provided us no response.

1 We said well, in terms of narrowing the issues, if you're
2 telling us that you're going to stipulate every time we find a
3 company that's being typo squatted by you, if you're going to
4 stipulate to their trademark rights, then maybe we can modify
5 that provision and we don't need their trademark
6 registrations.

7 Now in trademark cases the challenge is always yeah, you
8 can print this trademark off the USPTO data base, but are they
9 going to stand up and object that it's not authenticated, it's
10 not true copy, that there's no foundation for that trademark.
11 So we said to him, now on that particular first item if you
12 want to stipulate every time we find a trademark in the data
13 base, that's fine. And he said well, I'll go talk to my
14 client. Well, we have not heard back from -- from them on
15 that. So the interesting --

16 THE COURT: You have not or now?

17 MR. PATTI: Have not.

18 THE COURT: Okay.

19 MR. PATTI: There's been no stipulation. His
20 suggestion that we somehow piecemeal every time we find a
21 Facebook or a Netflix or whatever, that we then come to them
22 and say hey, will you stipulate to the trademarks. We don't
23 want to do that and we're not required to do that.

24 They're going to provide us a list of the trademarks that
25 if at the end of the case before trial they want to stipulate

1 to authenticity and admissibility of those trademark
2 registrations, then so be it. The interesting thing is we
3 have actually received responses back from many of these
4 subpoenas that we sent out.

5 Hum, we haven't had a single problem or objection from
6 those people to the scope that we ultimately agreed to on the
7 phone which is essentially what's included in the subpoena.
8 So the key issue is bad faith.

9 Under the elements whether or not they're habitual typo
10 squatter, cyber squatter, is perhaps the thing that is the
11 most important issue in the case. They have set up these
12 companies, Your Honor, so that Navigation Catalyst System
13 simply is listed as the registrant of the domains.

14 Basic Fusion is the registrar which is essentially
15 captive to Navigation Catalyst System. Firstlook is the
16 software company that serves up the parking pages and Connexus
17 owns them all.

18 Now what you're going to see here because since we
19 actually got their reply to our response, we actually received
20 their -- we actually received their response to discovery.
21 And, Your Honor, if I may, here is the responses that they
22 provided us. Keep in mind the fundamental basis of their
23 motion today that we can get it from them.

24 Well, let's take a look at whether or not they're willing
25 to give it to us. If you go to request number 45, we say

1 produce all documents, communications internal and external
2 pertaining to each and every instance of notice, which is a
3 key issue in this case, whether oral or in writing, that you
4 were a registrant of a domain name that was alleged to
5 infringe a trademark.

6 Exactly what the subpoena is. Exactly what they're now
7 here today telling you is, we ought to be limited to get those
8 -- that -- that information about whether or not they received
9 a notice letter from them.

10 Well, in their response they list every possible
11 objection in the book and they refuse to provide any of that
12 information. Okay. So here we are on a motion that we had to
13 respond to at a hearing where their basis is, just get it from
14 them and they specifically refused to provide it in their
15 discovery responses. The same thing in response to 46.

16 MR. HUGET: I'm sorry to interrupt. I don't -- you
17 didn't hand me those, I'm sorry. I didn't have that. That's
18 not what you handed me.

19 THE COURT: Which number are you talking about in
20 here?

21 MR. PATTI: The first one is 45, Your Honor which is
22 one of the reasons why we believe that attorney's fees and
23 costs should be awarded for us having to be here today because
24 we think it's a -- really a very frivolous motion in the first
25 instance and then to then object to providing us the very

1 information that they say that we should get from them.

2 And then 46 is the portion that says whether or not they
3 have permission from these third parties. And they object to
4 providing any -- a single document with regard to that.

5 The other thing is, Your Honor, what they're going to do,
6 and this is a motion that's coming down the pipe is, they have
7 no employees and they apparently have almost no documents.
8 You know why? Because when we filed the UDRP arbitration on
9 these very domain names, NCS has no documentation of notice
10 from us or response by them because you know which company
11 does it? Connexus.

12 Connexus employees are the ones that provide the response
13 letters to these threat letters. And if you'll notice in the
14 discovery response they say we're not entitled to any
15 documents from Basic Fusion or Firstlook, or Connexus. It's
16 all a shell game. They've actually set their companies up to
17 do exactly what's going on in this case and preclude us from
18 getting documents based on holding those documents in another
19 corporate entity at the exact same address with the exact same
20 shared employees. And they're saying we're not entitled to
21 those documents.

22 The same thing on the Flicker subpoena that just came
23 back. The -- you remember he said oh, well, it has to be at
24 the time of registration that they had notice of the trademark
25 rights. This is why these subpoenas are so important.

1 The Flicker subpoena came back and they said well, no, we
2 were not aware of these particular domain names that you
3 provided to us, but we did previous to that send them a notice
4 letter saying turn over a whole bunch of other typos of
5 Flicker's trademarks and you shall not infringe on and then a
6 list of their company trademarks including the Flicker one.

7 Well, guess what happened after that notice letter, again
8 from Connexus Corporation went -- went to Navigation Catalyst
9 System. The very domains that are in our subpoena were then
10 registered by them.

11 In this case -- in this case the reason that the Judge
12 was able to hold in Navigation Catalyst under personal
13 jurisdiction because after we brought an arbitration
14 proceeding against them on our trademarks over I think it was
15 23 or 25 of our domain names, typos, they went out and
16 registered more typo variations of our famous and
17 incontestable trademark.

18 So the concept that somehow we ought to limit this, and
19 it's not fair, and it's unduly burdensome, it's just not the
20 reality. The game here is to preclude us from getting the
21 evidence that will establish definitively that they're bad
22 faith cyber squatters, their business model was designed to do
23 exactly what we see here, that it wasn't the software that did
24 it, it's them that designed the software to do it, and it
25 accomplished the very -- very thing that they set out to do.

1 So we don't see any reason to limit any of the requests
2 of our -- of our third party subpoenas which we think are very
3 narrow. Tell us your list of trademarks, tell us whether or
4 not you've had any communication with these companies
5 concerning those trademarks or cyber squatting. Tell us
6 whether or not you gave them permission to do that and that's
7 -- that's what this case is all about, Your Honor.

8 And there is -- there is probably tens of thousands if
9 not hundreds of thousands of typo domains on famous trademarks
10 held in their portfolio which again they refuse to give us in
11 discovery which we'll be back on of third party trademarks.

12 So, Your Honor, if you have any specific questions I'd be
13 happy to answer them, but we do believe that we're entitled to
14 go get this information. Quite honestly we don't trust them
15 at all to provide it to us. And even if they do provide it to
16 us, to provide it to us in any sort of -- to give us all of
17 what they've got and to not play the shell game. And we're
18 entitled to go get it from third parties so we can test their
19 credibility and verify what we've received.

20 MR. HUGET: Briefly, Your Honor. Just because
21 plaintiff's counsel thinks this is some illegal model shell
22 game doesn't mean he can go out there and act as the champion
23 for all these other companies which is what he's apparently
24 intending to do here today.

25 We are very early in discovery. We have issues going

1 back and forth trying to narrow the scope of our -- of our --
2 of his request to us, we'll do so. And some of the documents
3 he talks about license agreements, any license agreements with
4 third parties.

5 Well, if we have permission from a third party of course
6 we're going to turn that over. I mean that's just the kind of
7 thing that's in our best interest to do it. This quite
8 honestly is a fishing expedition of third parties.

9 As far as these parties that were dismissed, the other
10 entities that he says is the shell, well, they've been
11 dismissed out of the case. They didn't get jurisdiction over
12 them. They could have sued them in -- in California. They're
13 not in the case. He can't bring them back in via discovery
14 requests, they're gone. That's been ruled on already. These
15 are arguments that he's already raised.

16 So of course they should be limited to the defendant
17 here. That's who he's got jurisdiction over. The Court's
18 already ruled there's no jurisdiction over these other --
19 these other parties that -- that he's been talking about. So
20 for that reason Basic Fusion, Connexus, and Firstlook. They
21 were -- they were dismissed out of this case, so they're not
22 here.

23 And finally, Your Honor, I just think again I'll
24 reiterate. These are just extremely broad. We're very early
25 in discovery. These are broad in attempts just to agitate

1 parties who are out there.

2 I think Facebook and Yahoo are fairly sophisticated
3 companies. If they want to take issue with this they can take
4 issue with this. That's not the test. The bad faith test is,
5 did you do multiple domains and did you know -- did you, the
6 intent of the defendant, that's the focus of the factor
7 they're talking about.

8 The intent of my -- the intent of my client at the time
9 he registered this, that's all that matters. Trying to keep
10 this case focused and narrow instead of turning it into the
11 most complex piece of litigation the Eastern District has seen
12 in the last two decades. Thank you, Your Honor.

13 THE COURT: Okay. These are subpoenas to a third
14 party who is not associated with the defendants. I think that
15 there is an issue of standing whether or not the defendant
16 even has standing to raise objections on behalf of Facebook
17 and Yahoo and all the rest of them. And I really don't think
18 that they do. I don't see any personal right in the
19 information requested in the subpoenas. So I think that they
20 don't have standing.

21 I also think that this information is necessary to the
22 determination of bad faith. I think that under 404(b), under
23 absence of mistake, intent, all that kind of stuff this would
24 be relevant evidence if produced. I don't find that the
25 subpoenas are intended to embarrass or harass NCS based on the

1 information requested.

2 If NCS has registered typographical cyber squatting names
3 well, then it's their own -- it's their own actions that lead
4 to embarrassment not the information requested by the
5 subpoenas. I don't -- so I don't think that the subpoenas are
6 over broad or irrelevant. I do think it's important to get
7 this out as early as possible in the discovery.

8 I'm not sure whether or not this would lead to a request
9 for reconsideration of dismissal of the dismissed entities
10 based on such a close association that they should be subject
11 to personal jurisdiction. But even if they're not, and since
12 they're not here, clearly Navigation Catalyst doesn't -- in
13 the posture that the case currently is, Navigation Catalyst
14 doesn't have an obligation to respond on behalf of them.

15 So it's unlikely that to the extent that they were
16 related to this information the defendant would be able,
17 willing, or favorably disposed to providing it. So given all
18 of those circumstances I'm going to -- and this is a motion
19 for a protective order, deny the motion for a protective order
20 and permit the subpoenas to go forward.

21 Do I think that there is an issue of fees and costs?
22 There probably is, but I think I'll wait and see as we go
23 forward how much this leads to this.

24 MR. PATTI: Thank you, Your Honor.

25 THE COURT: So I'm denying that part of it.

1 MR. HUGET: Thank you, Your Honor.

2 THE COURT: And here's your document. You can take
3 that. Okay. Thank you.

4 MR. PATTI: Thank you, Your Honor.

5 THE COURT: Okay.

6 (Court Adjourned at 3:11 p.m.)

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7 I certify that the foregoing is a correct transcript from the
8 electronic sound recording of the proceedings in the
9 above-entitled matter.

10

11 s/Deborah L. Kremlick, CER-4872Dated: 4-5-10

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