

**IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF TEXAS
MARSHALL DIVISION**

**FPX, LLC, (d.b.a. FIREPOND),
Individually and on Behalf of All Others
Similarly Situated,**

Civil Action No. 2:09-cv-00142

Plaintiff,

v.

(1) GOOGLE, INC.;
(2) YOUTUBE, LLC;
(3) AOL, LLC;
**(4) TURNER BROADCASTING
SYSTEM, INC.;**
(5) MYSPACE, INC., and
(6) IAC/INTERACTIVECORP

Defendants.

REPLY IN SUPPORT OF MOTION FOR CLASS CERTIFICATION

I. Introduction

Hidden in the many legal arguments made by Defendants in their opposition to class certification is one simple fact. If Defendants' arguments are correct, then Defendants' business practices are, for all practical purposes, beyond any meaningful legal scrutiny. Under the arguments forwarded by the Defendants, small and medium-sized businesses have no economically feasible way of preventing Defendants from marketing and selling their trade names, and potentially permitting their competitors to confuse consumers. For example, due to the cost of suing Defendants,¹ *ad hoc* lawsuits are beyond the reach of most class members. Recognizing this fact, Defendants' long term strategy has been to avoid any determination on the

¹ For example, the taxable costs *alone* in *Rosetta Stone v. Google* were nearly \$80,000.00 and spanned 44 depositions. 09-cv-00735 (E.D.Va. August 17, 2010) (Docket No. 236).

merits of the legality of sale and use other people's trademarks. Where claims related to this issue have survived summary judgment, individual plaintiffs have wisely settled out of court. Accordingly, there has yet to be any determination on the merits regarding the Defendants' rights to sell the use of trademarks owned by others as Adwords.

In keeping with the lessons of *Vulcan Golf v. Google*, 254 F.R.D. 521, 535 (N.D. Ill. 2008). Plaintiff here has crafted a class and class relief designed to address the flaws identified by the Court in the Vulcan opinion denying class certification. As discussed in the motion and below, Plaintiff believes it has succeeded. Even the Defendants do not and cannot dispute that Plaintiff has done everything possible to address the most fundamental obstacles noted by the Court in Vulcan Golf. Nevertheless, if Defendants succeed in blocking the certification of this class, they will continue to be immune to challenge of their policy of using the trademarks owned by Plaintiff's and others similarly situated (a point ignored in the Defendants' opposition).

Defendants based their response brief on their core belief that there is nothing unlawful in their selling other people's trademarks as Adwords. Although Plaintiff respectfully disagrees, this fundamental dispute should make Defendants *welcome* class certification. If Defendants are correct, the issue of the legality of selling the right to use other people's trademarks can be resolved once and for all once the class is certified.

Defendants further claim that there are inter-class conflicts that should preclude class certification and that the injunctive relief requested by the class will somehow permanently impair the rights of individual plaintiffs to sue defendants. Defendants' arguments in this regard are without merit.

In sum, this Court is urged to evaluate the current case on the merits and ignore other holdings that have never squarely addressed the specific claims at issue here. In this matter, even Defendants would have difficulty disagreeing with the fact that class certification is the *only* way to meaningfully scrutinize Google's business model.

II. The Operation of Google AdWords and the Impossibility of Either Staying Away or Fighting Google for Small Businesses

With a few very limited exceptions, most conspicuously the trademark “American” Airlines, any word (including trademarks) are sold by Google as part of its AdWords program. It is undisputed that anyone, whether a competitor, an authorized user or someone completely unrelated may bid on a given keyword. Opposition at 6.

Unlike any other market, there is no way (short of protracted and expensive *ad hoc* litigation) for a business to avoid having its trademarks sold by Google as adwords. The result is that the Plaintiffs (and similarly situated trademark holders) lose control of their trademarks resulting in inevitable confusion to their customers. Defendants response - that this scenario is not far removed from a traditional supermarket model, where competing goods might appear next to each other is not well founded. In connection with a traditional supermarket, a trademark holder has the ability to control the use of its trademarks by, among other things, refusing to sell its products to particular accounts or insisting that its products be displayed in a particular way in a particular section of the store. Blue Bell ice cream, for example, can insist that its wares be sold only at Kroger, or only in stand-alone displays, or can choose to sell its wares nowhere but the creamery itself. But absent protection from the courts, there is nothing to prevent Google from selling Blue Bell’s marks to Breyer’s, Haagen Daz or Big Bell Ice Cream of Minnesota, thus leading to diversion and confusion. Ultimately, either Google selling the Blue Bell trademark to Big Bell is unlawful or it is not. But absent class certification, this issue will never be resolved.

As Defendants well know, for the overwhelming majority of trademark holders, litigation to resolve Defendants’ Adwords policies is not cost effective. By way of example, the *Rosetta Stone* litigation, cited by Google in its opposition, resulted in a cost bill (exclusive of attorneys’ fees) of nearly \$80,000.00, suggesting seven-figure litigation budgets. Simply put, and undisputed by Google, for 99% of trademark holders, the only way to resolve whether they can prevent Google from selling their trademarks as Adwords is through a class action. As noted earlier, to Plaintiff’s knowledge, Google has never permitted an adwords case to go to trial. It

has fought tooth and nail at the pleading or summary judgment stage (thus getting wins), and when that strategy has failed, Google has settled rather than have its business model tried by a jury (e.g. American Airlines).

III. None of Defendants' Cited Authority Mandates Denial of the Motion, and Equity Demands It Be Granted

For all the authority cited by Defendants, no court has ruled on class certification of an initial interest confusion class, one way or the other. By seeking an injunction class, most of the problems raised in the *Vulcan Golf* decision, heavily relied upon by Defendants, are avoided. Although Defendants are correct to note that trademarks are rarely subject to class actions, the fundamental reason for this rarity is the fact that individual trademark damage is not susceptible of class treatment. That is why damages are not being pursued in this case.

The *Vulcan Golf* case is somewhat instructive on this point, both for its parallels and its differences. Factually, *Vulcan Golf* was roughly analogous to this case.² *Vulcan Golf* sought to certify a trademark class against Google. The court, applying a Rule 23(a) analysis, found that *Vulcan Golf* satisfied those requirements. Simply put, Plaintiff is no less adequate or typical than *Vulcan Golf*, and *Vulcan Golf* survived the Rule 23(a) analysis.

Vulcan Golf's attempt at class certification was denied primarily because it sought damages, which of necessity made the case about the class, not about Google. In light of the numerous evidentiary issues inherent in seeking a Rule 23(b)(3) claim, the Court declined to certify the class. Although the alternative injunctive relief requested by *Vulcan Golf* was also denied, it was denied on grounds not applicable here. The primary reason for denying an injunctive class was that "Rule 23(b)(2) requires that injunctive relief be the "predominate" relief sought," and the nature of the *Vulcan* case made clear that the case was fundamentally about damages. *Vulcan*, 254 F.R.D. at 536.

² Indeed, the court noted in *Vulcan* that similar allegations did not make the plaintiffs' claims atypical. *Vulcan*, 254 F.R.D. at 526. Likewise, the *Vulcan* court dismissed the intraclass conflict argument regarding the plaintiffs themselves, as the plaintiffs were not using adwords at the time of the suit. *Vulcan*, 254 F.R.D. at 527.

While the *Vulcan* court did deny injunctive relief on the grounds that there would be too many plaintiff-specific inquiries, the holding is distinguishable for two important reasons. First, initial interest confusion, at issue here, does not require any individual findings of fact, whereas the anti-cybersquatting claim in *Vulcan Golf* did. In this matter, initial interest confusion will be established by way of a complex consumer survey applicable generally, but of course not to all uses of trademarks as adwords. –Second, while there was an internal Google dispute resolution mechanism to resolve the problems raised in *Vulcan Golf*, Google steadfastly refuses to remove trade names from purchase. *Id.* at 536.

On a fundamental level, the numerous issues of fact inherent in a trademark class (which defeated certification in *Vulcan*) create a Gordian knot that can only be cut with the simpler method of a Rule 26(b)(2) injunction. On a fundamental level, either Google’s business model is legal, or it isn’t.³

In connection with initial interest confusion,⁴ class inquiry should not be problematic. To the extent it is at least theoretically possible to certify a trademark class, the presumption of validity attendant to a registered mark makes certification proper. If an initial interest confusion class is improper, then as a matter of law, Google’s business model cannot be challenged, and relief is available only to those, like American Airlines, with the money to engage in protracted litigation. That cannot be the case.

IV. The Intra-Class Conflict and Unclean Hands Claims are Red Herrings

Ultimately, injunctive class relief is the only way to challenge systematic abuse that is not conducive to individual suits. As this circuit has noted,

³ The 2002 FTC guidance attached to the opposition does not go to this issue, as it was silent on giving trademark holders the ability to opt out.

⁴ Furthermore, contrary to Defendants’ protestations, initial interest confusion is a valid cause of action. Defendants cite no law suggesting the principles described in *Rescuecom*, 562 F.3d 123 (2nd Cir. 2009) have been overruled. Indeed, the cases cited by Defendants in support of the principle that Google adwords is legitimate supports certification; if anything – it suggests that the ultimate answer for the class is the same for all marks, albeit in Defendants’ favor. But at the certification stage, none of the prior adwords cases weigh against certification

“[Rule 23(b)(2)] does not mandate that all members of the (b)(2) class be aggrieved by or desire to challenge the defendant's conduct. It does require, however, that the conduct or lack of it which is subject to challenge be premised on a ground that is applicable to the entire class. Since it is not necessary that the members of the class be so clearly identified that any member can be presently ascertained, the 23(b)(2) class action is an effective weapon for an across-the-board attack against systematic abuse.” *Jones v. Diamond*, 519 F.2d 1090 (5th Cir. 1975).⁵

By certification of the class and limitation to injunctive relief, Plaintiff is not taking away any rights from class members, but is merely seeking to curb the systematic abuses of the defendants on a single ground (initial interest confusion). The relief demanded by Plaintiff is prospective only. If anyone wants to sue Defendants on an individual basis for damages, they may do so (although the cost ineffectiveness of this type of litigation is one of the reasons class certification is needed in this case).

Defendants fail to identify any way in which prospective class members (most of whom have no path to meaningful relief anyway absent costly litigation) will be harmed if the Court forces Defendants to offer trademark holders the ability to opt out of Adwords.⁶

As such, the issue of waiver of class member rights, and of intra-class conflicts, is a red herring.

⁵ Common issues of fact need not predominate in an injunctive class. *Madrigale v. Housing Authority of County of Chester*, 87 F.R.D. 62, 66 (E.D.Penn. 1980)

⁶ Google also cites *McClain v. Lufkin Indus., Inc.* 519 F.3d 264 (5th Cir. 2008) for the proposition that putative class members will be harmed by an injunctive class being certified. This argument holds no weight, and McClain is inapposite. In McClain, certification of an injunctive class was denied in part because permitting potential class members to opt out was not addressed. However, under Fifth Circuit law, the Court has discretion to grant opt-out power to members of the class. *Penson v. Terminal Transp. Co., Inc.*, 634 F.2d 989, 993 (5th Cir. 1981) (“[A]lthough a member of a class certified under Rule 23(b)(2) has no absolute right to opt out of the class, a district court may mandate such a right pursuant to its discretionary power under Rule 23.”). Plaintiff has no objection to potential class members being given such an option.

V. Conclusion

Plaintiff has shown, and Defendants have failed even to try to refute, that the only way to resolve the legality of Defendants' business methods is through a class action. A finding that fact issues predominate is, for all practical purposes, the same as a finding that, for all but the largest companies, Defendants' practices are beyond legal scrutiny.

Dated: November 1, 2010

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that the counsel of record who are deemed to have consented to electronic service are being served on November 1, 2010 with a copy of this document via the Court's CM/ECF system per Local Rule CV-5(a)(3). Any other counsel of record will be served by electronic mail, facsimile transmission and/or first class mail on this same date.

Dated: November 1, 2010

/s/ Nathan D. Meyer
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