

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

FPX, LLC d/b/a FIREPOND,	§	
	§	
	§	Civil Action No. 2:09-cv-00142-TJW
Individually and on Behalf of All Others	§	
Similarly Situated,	§	
	§	
Plaintiff,	§	CLASS ACTION COMPLAINT
	§	
v.	§	
	§	
GOOGLE, INC., YOUTUBE, LLC, AOL,	§	JURY TRIAL REQUESTED
LLC, TURNER BROADCASTING	§	
SYSTEM, INC., MYSPACE, INC. AND	§	
IAC/INTERACTIVECORP,	§	
	§	
Defendants.	§	

DEFENDANTS' SUR-REPLY IN OPPOSITION TO MOTION FOR CLASS CERTIFICATION

PLAINTIFF’S MOTION FOR CLASS CERIFICATION SHOULD BE DENIED

Plaintiff’s Motion for Class Certification cannot survive the “rigorous analysis” mandated by the Fifth Circuit. Castano v. Am. Tobacco Co., 84 F.3d 734, 740 (5th Cir. 1996). There are at least six separate bases for denying class certification:

- Plaintiff is atypical because it engaged in the very conduct it claims is trademark infringement, Feder v. Elec. Data Sys. Corp., 429 F.3d 125, 138 (5th Cir. 2005), and, if Plaintiff is indeed representative of the class, Plaintiff also is inadequate because the proposed class would be antagonistic, creating impermissible intra-class conflicts. Langbecker v. Elec. Data Sys. Corp., 476 F.3d 299, 315 (5th Cir. 2007);
- Plaintiff is inadequate for the additional reason that it has abandoned damages claims for the putative class in exchange for improving its chance of class certification under Rule 23(b)(2). McClain v. Lufkin Indus., Inc., 519 F.3d 264, 283 (5th Cir. 2008);
- Plaintiff’s proposed class only attempts to certify initial interest confusion, which is not a cause of action but rather is merely an evidentiary consideration, upon which certification may not be based. Bolin v. Sears, Roebuck & Co., 231 F.3d 970, 976 (5th Cir. 2000);
- Plaintiff’s request for equitable disgorgement with its injunctive remedy is not certifiable because disgorgement is an individualized issue that will vary with each class member and is not automatically calculable. In re Wilborn, 609 F.3d 748, 757 (5th Cir. 2010);
- Plaintiff’s claims will involve complex, individualized determinations, entirely contrary to the required cohesiveness of an injunction class. Langbecker, 476 F.3d at 317; Ford v. Nylcare Health Plans, 190 F.R.D. 422, 428 (S.D. Tex. 1999), aff’d, 301 F.3d 329 (5th Cir. 2002); and
- Plaintiff’s proposed class would transform the narrow rights held by mark owners into a near word-monopoly on the Internet – resulting in the prohibition of all manner of legally permissible uses of marks long held to promote competition and benefit consumers.

Faced with all of these grounds, each an independently sufficient basis for denying certification, the Reply seeks to salvage Plaintiff’s class case with two unavailing arguments: (1) it is too expensive to pursue a trademark infringement action for an individual plaintiff; and (2) there are so many “numerous issues of fact inherent in a trademark class” that it creates “a Gordian knot that can only be cut with the simpler method of a Rule 26(b)(2) [sic] injunction.” (Reply at 3 & 5, respectively). First, not only is there no evidence that the expense of trademark infringement suits is cost prohibitive, but there is also no legal authority to suggest such evidence would assist Plaintiff in certifying its proposed class. Second, a tangled knot of individual issues

does not relieve Plaintiff from meeting its burden of proof for class certification, and indeed, is an insurmountable bar for the proposed class under Rule 23(b)(2). As further demonstrated below, Plaintiff's arguments fail under established law, and class certification should be denied.

A. THE EXPENSE OF INDIVIDUAL SUITS IS NOT A GROUND FOR 23(B)(2) CERTIFICATION.

Plaintiff alleges that the expense of individual suits for trademark infringement means that for "99% of trademark holders" the only way to resolve liability against Google is through a class action. (Reply at 3). Preliminarily, Plaintiff has offered no actual evidence that the expense of individual trademark suits is cost prohibitive,¹ and the case cited as illustrative of that notion, Rosetta Stone Ltd. v. Google Inc., --- F. Supp.2d ----, 2010 WL 3063152 (E.D. Va. Aug. 3, 2010) (granting summary judgment in favor of Google), itself cuts against a finding that costs are indeed prohibitive. If anything, Rosetta Stone is an example of a trademark owner obtaining a substantive determination regarding Google's conduct. Perhaps it is the result in that case, and not the costs associated with it, that concerns Plaintiff. Even accepting the unsupported proposition that trademark infringement suits are expensive, Plaintiff can offer no authority that the high costs of individual suits are a sufficient basis under Rule 23(b)(2) to certify.

B. THE NUMEROUS FACT ISSUES PRECLUDE 23(B)(2) CERTIFICATION.

Plaintiff actually admits that there are numerous fact issues inherent in any trademark infringement suit (Reply at 5), and thinks this is somehow helpful to its request for certification under Rule 23(b)(2). In effect, Plaintiff argues that because there is no way a class could ever be certified under Rule 23(b)(3) given the "Gordian knot" of individual fact issues, Plaintiff is automatically entitled to Rule 23(b)(2) class certification.

First, this wrongly presumes that Plaintiff is entitled to bring a class in the first instance,

¹ Indeed, Defendants have provided numerous examples of individual trademark owners pursuing trademark infringement claims based on keyword bids by advertisers. (Resp. at 7, n.11). Defendants also have identified cases brought against Google in which courts reached the merits of trademark infringement claims based on keyword bidding – and found in Google's favor. (Resp. at 8 & n.12).

and has no burden of establishing the same. To the contrary of course, “[t]he party seeking certification bears the burden of proof.” Castano, 84 F.3d at 740. Second, individual issues are not avoided under Rule 23(b)(2); in fact, Vulcan rejected Rule 23(b)(2) certification due to “the individual inquiries that the plaintiffs’ proposed class would require.” Vulcan Golf, LLC v. Google, Inc., 254 F.R.D. 521, 535 (N.D. Ill. 2008). Such inherent factual inquiries are likewise fatal here to class certification.

C. THE LESSONS OF VULCAN TEACH THAT CERTIFICATION IS IMPROPER.

In its opening brief, Plaintiff asserted in a footnote that its “theory has little in common with” Vulcan. (Mot. at 10, n.8). But now in its Reply, Plaintiff concedes that Vulcan is “roughly analogous to this case.” (Reply at 4). Defendants have consistently argued that the lessons of Vulcan teach that Rule 23(b)(2) certification would be improper here.

Vulcan correctly holds that trademark infringement actions are inherently ill-suited for class treatment. Vulcan, 254 F.R.D. at 535-37. The individual factual inquiries that preclude class treatment include ownership, distinctiveness, “inevitable individual discovery disputes,” affirmative defenses, as well as the inability to prove liability on a class-wide basis. Id. at 528-36. Plaintiff argues, without support, that the presumption of validity for a registered mark makes certification proper. (Reply at 5). However, as Vulcan explains no class-wide presumption of distinctiveness for marks is permitted. Id. at 529. This holding is in accord with Fifth Circuit law, which requires the Court to analyze the “independent validity” of every mark, Enrique Bernat F., S.A., et al. v. Guadalajara, Inc., 210 F.3d 439, 443 n.2 (5th Cir. 2000), and indeed the presumption “evaporates as soon as evidence of invalidity is presented.” Amazing Spaces, Inc. v. Metro Mini Storage, 608 F.3d 225, 239 (5th Cir. 2010) (citation omitted).² Given

² In addition, the proposed class includes trademarks registered on the Supplemental Register, which are entitled to no presumption. (Resp. at 8, n.12); see also Vulcan, 254 F.R.D. at 528.

these hurdles to class treatment, it is unsurprising that the only two courts to consider such relief have rejected certification. Vulcan, 254 F.R.D. at 535; Chambers v. Time Warner, 66 U.S.P.Q.2d 1292, 1298-99 (S.D.N.Y. 2003). The Vulcan court noted, “it is difficult for this court to comprehend any circumstances by which the plaintiffs could properly obtain class certification of their trademark-related claims.” Vulcan, 254 F.R.D. at 537. The same is true here, and certification should be denied.

D. PLAINTIFF IS ATYPICAL AND INADEQUATE.³

Plaintiff’s reliance on Vulcan to meet the basic typicality and adequacy requirements under Rule 23(a) is unavailing. (Reply at 4). In Vulcan, the court analyzed whether some class members’ ongoing business relationship with Google created a typicality problem. Vulcan, 254 F.R.D. at 526-27. Here, by contrast, Plaintiff is faced with the fact that it engaged in the specific conduct (trademark keyword advertising) that it now contends constitutes trademark infringement. (Resp. at 6). Thus, Plaintiff is atypical. Feder, 429 F.3d at 138. Defendants’ challenge to Plaintiff’s trademark ownership (Resp. at 11) also remains unrefuted. This is yet another ground that establishes Plaintiff will be required to defend issues unique to it, and, therefore, is atypical. Feder, 429 F.3d at 138. Plaintiff’s individual issues of unclean hands and ownership necessarily render Plaintiff atypical and inadequate to represent trademark owners seeking to pursue infringement claims against Google. Id.

Plaintiff is also inadequate because it “dropped the class members’ demand for compensatory and punitive damages in order to protect the ‘predominance’ of nonmonetary claims.” McClain, 519 F.3d at 283. Plaintiff’s only response to this is in a footnote stating it has “no objection” to class members being given an option to opt out. (Reply at 6, n.6). There are at

³ Plaintiff failed to respond to Defendants’ arguments concerning numerosity and commonality. (Resp. at 11, n.17, n.18).

least two reasons why this argument is insufficient to save the class.

Preliminarily, Plaintiff, who is obligated to actively protect class interests, never before sought an opt-out option in its Complaint, in its Motion or in any other briefing. More importantly, there is no right to opt out for an injunctive class member. McManus v. Fleetwood Enters., Inc., 320 F.3d 545, 553 (5th Cir. 2003); McClain, 519 F.3d at 283.

Even if the Court could provide notice and an opt-out option, these offer no protection to those class members who oppose Plaintiff's sought-after remedy: enjoining the ability to bid on keywords that also happen to be federally registered trademarks. This is a significant difference from the typical civil rights Rule 23(b)(2) class, in which class members may not all necessarily be aggrieved by a defendant's discriminating conduct, but none would oppose the relief of enjoining discrimination.⁴ In contrast, the proposed class here would be filled with members who actively advertise on Google and would affirmatively oppose the injunctive relief sought. Indeed, Plaintiff FPX and Plaintiff Beck have each bid on numerous words that are also trademarks of other potential class members, (Barker Decl. ¶¶ 22-24); but Plaintiffs are somehow arguing that it is only infringement when someone other than Plaintiffs does it. This also demonstrates the fundamental lack of cohesiveness of Plaintiff's proposed class, which will necessarily involve complex fact-based determinations that will be individualized and often antagonistic among class members. Langbecker, 476 F.3d at 317; Ford, 190 F.R.D. at 428. Plaintiff is inadequate as a class representative and any supposed availability of notice and opt-out options does not alter that conclusion.

E. INITIAL INTEREST CONFUSION IS NOT CERTIFIABLE.

Plaintiff seeks certification solely upon a theory of initial interest confusion, which is not

⁴ For this reason, Plaintiff's reliance on Jones v. Diamond, 519 F.2d 1090 (5th Cir. 1975), for the proposition that not all class members must be aggrieved by the defendant's conduct is misplaced. As the Jones Court explained, its holding must be considered in light of the requirement that it read Rule 23(a) "liberally in the context of civil rights suits" brought under Rule 23(b)(2). Id. at 1099.

a cause of action. Elvis Presley Enters., Inc. v. Capece, 141 F.3d 188, 194, 203-04 (5th Cir. 1998). Certification must be based upon a cause of action, not merely some evidentiary consideration. Bolin, 231 F.3d at 976. Plaintiff contends initial interest confusion is a valid cause of action because, “Defendants cite no law suggesting the principles described in Rescuecom . . . have been overruled.” (Reply at 5, n.4). This response misses the point. First, the issue in Rescuecom was whether keyword advertising constituted a “use in commerce,” not whether the particular ads caused a likelihood of confusion. Rescuecom Corp. v. Google Inc., 562 F.3d 123, 124, 130 (2d Cir. 2009). Initial interest confusion is not even mentioned in Rescuecom. And, a year after Rescuecom was decided, that same Circuit ruled that the display of sponsored links on a Google search page triggered by trademark keywords was not confusing and was lawful. Tiffany (NJ) Inc. v. eBay Inc., 600 F.3d 93, 103 (2d Cir. 2010). In short, there is no Second Circuit decision that supports certifying a class merely to test for an evidentiary factor of one element of a multi-factor confusion test, and settled Fifth Circuit law certainly precludes certification on such a basis. Bolin, 231 F.3d at 976.

F. PLAINTIFF’S CLAIM FOR DISGORGEMENT PRECLUDES CLASS CERTIFICATION.

The Fifth Circuit’s decision in In re Wilborn holds that Rule 23(b)(2) certification must be denied when, as here, the pursuit of equitable disgorgement depends “on the specific circumstances of each class member.” 609 F.3d at 757. Plaintiff is entirely silent on the issue and does not even mention Wilborn. On this basis alone, certification must be denied.

G. PLAINTIFF CANNOT CERTIFY AN INJUNCTION CLASS.

Plaintiff’s choice to proceed under 23(b)(2) for an injunction, if granted, would leave class members unable to bid on keywords that also are registered trademarks. (Reply at 6). Such injunctive relief under Rule 23(b)(2) must be denied because it would be extraordinarily overbroad. See Vulcan, 254 F.R.D. at 536 (“Simply because a domain name may include a

particular mark does not mean that the domain name violates the trademark laws.”). Granting such an injunction would far exceed the protection afforded marks under trademark law, as it would prevent resellers of genuine branded products from advertising them, would bar use of trademarks in comparative advertising, would curtail valuable free speech and would even restrict everyday usage of the English language. (Resp. at 20). For example, a practitioner who works in the field of intellectual property could not advertise by bidding on the words “intellectual property” to trigger her advertisement because “intellectual property” also happens to be registered as a trademark for both wine and clothing. (See Butzer Decl. Exs. 18 & 19).

H. CONCLUSION.

Plaintiff’s proposed class is not certifiable due to the numerous individual inquiries inherent in a trademark infringement action, even as a Rule 23(b)(2) injunction class. Plaintiff’s insistence that it must be allowed to proceed on a novel theory as a class, rather than on an individual basis, is also improper under Rule 23. As the Fifth and Seventh Circuits have held, the fate of an entire industry should not be decided with one roll of the dice. Castano, 84 F.3d at 748; Vulcan, 254 F.R.D. at 535 (“plaintiffs seek to resolve relatively novel legal theories in one case with one throw of the dice as to potentially hundreds of thousands of claims.”). And while the merits are not considered at the class certification stage, it would be a strange world indeed if – as Plaintiff claims (Reply at 3-4) – the probability of class certification is increased simply because a defendant has been successful in defending individual one-off cases. Accordingly, Plaintiff’s Motion must be denied.

Respectfully submitted,

/s/ Charles L. Babcock

CHARLES L. "CHIP" BABCOCK
Texas State Bar No. 01479500
JACKSON WALKER L.L.P.
901 Main Street, Suite 6000
Dallas, Texas 75202
(214) 953-6030
(214) 953-5822 - Fax
Email: cbabcock@jw.com

DAVID T. MORAN
Texas State Bar No. 14419400
JACKSON WALKER L.L.P.
901 Main Street, Suite 6000
Dallas, Texas 75202
(214) 953-6051
(214) 661-6677 - Fax
Email: dmoran@jw.com

CARL C. BUTZER
Texas State Bar No. 03545900
JACKSON WALKER L.L.P.
901 Main Street, Suite 6000
Dallas, Texas 75202
(214) 953-5902
(214) 661-6609 - Fax
Email: cbutzer@jw.com

SHANNON ZMUD TEICHER
Texas State Bar No. 24047169
JACKSON WALKER L.L.P.
901 Main Street, Suite 6000
Dallas, Texas 75202
(214) 953-5987
(214) 661-6844 – Fax
Email: steicher@jw.com

ATTORNEYS FOR DEFENDANTS

CERTIFICATE OF SERVICE

I hereby certify that on November 15, 2010, I electronically submitted the foregoing document with the clerk of the court for the U.S. District Court, Eastern District of Texas, using the electronic case files system of the court. The electronic case files system sent a “Notice of Electronic Filing” to individuals who have consented in writing to accept this Notice as service of this document by electronic means. All other counsel of record not deemed to have consented to electronic service were served with a true and correct copy of the foregoing by first class mail today, November 15, 2010.

/s/ Charles L. Babcock

Charles L. Babcock