

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

THE RODNEY A. HAMILTON LIVING	§	
TRUST and JOHN BECK AMAZING	§	
PROFITS, LLC, Individually and on Behalf	§	Civil Action No. 2:09-cv-00151-TJW-CE
of All Others Similarly Situated,	§	
	§	
Plaintiffs,	§	CLASS ACTION COMPLAINT
	§	
v.	§	
	§	
(1) GOOGLE INC.; AND	§	JURY TRIAL REQUESTED
(2) AOL LLC,	§	
	§	
Defendants.	§	

DEFENDANTS' RESPONSE TO OPPOSED MOTION FOR CLASS CERTIFICATION

Defendants Google Inc. (“Google”) and AOL Inc.¹ respectfully submit this Response.

I. SUMMARY OF ARGUMENT

Relying solely upon Rule 23(b)(2), Plaintiffs seek to certify a class composed of all U.S.-domiciled persons who “own a mark that has been registered with the United States Patent and Trademark Office (‘USPTO’) that has been sold by defendant Google as a keyword and/or an Adword during the period May 14, 2005 through the present.” (Mot. at 4). No court has ever certified a trademark infringement class, and the only two courts to consider such relief soundly rejected certification. Vulcan Golf, LLC v. Google Inc., 254 F.R.D. 521, 535 (N.D. Ill. 2008) (denying certification of a 23(b)(2) class); Chambers v. Time Warner, 66 U.S.P.Q.2d 1292, 1298-99 (S.D.N.Y. 2003) (same). The Vulcan court explained that “Rule 23(b)(2) relief is not appropriate” due to “the individual inquiries that the plaintiffs’ proposed classes would require” and “it is difficult for this court to comprehend any circumstances by which the plaintiffs could properly obtain class certification of their trademark-related claims.” 254 F.R.D. at 535-37.

Through this putative class action, Plaintiffs are trying to transform the limited rights granted to brand owners under trademark law into a word-monopoly on the Internet so as to eliminate legitimate competition on search engines such as Google. Plaintiffs argue that Google necessarily infringes trademarks by allowing advertisers to display their relevant ads alongside the free organic search results returned by Google in response to searches for terms that happen to be trademarks, irrespective of the specific marks at issue or the existence of any likely confusion in the ads run. To accept Plaintiffs’ contention is to reject the last century of trademark precedent. Applied to the traditional bricks-and-mortar context, without first obtaining the trademark owner’s permission, Brookshire’s could not legitimately advertise a sale on Dr. Pepper in the weekly circular, and Wal-Mart could not promote its store-brand aspirin

¹ Plaintiffs submit no evidence nor make any arguments regarding AOL.

next to Bayer. Applied to the Internet, Plaintiffs would deprive consumers of meaningful comparison shopping on eBay and Amazon, silence a variety of speech such as product reviews, and even restrict everyday usage of the English language – for example, a search for “intellectual property” could only return ads for clothing or table wine² and not lawyers who prosecute intellectual property lawsuits. Trademark owners would gain unwarranted protection at the expense of a competitive market, which has long been recognized by the courts to substantially benefit the consuming public. Platinum Home Mort. Corp. v. Platinum Fin. Group, Inc., 149 F.3d 722, 726 (7th Cir. 1998).

Plaintiffs predicate their class action claims solely upon a theory of “initial interest confusion” – which is not even a cause of action in this Circuit.³ Certification must be based upon a cause of action, not merely some evidentiary consideration. Bolin v. Sears, Roebuck & Co., 231 F.3d 970, 976 (5th Cir. 2000). To prove trademark infringement, a plaintiff must demonstrate: (1) ownership in a legally protectible mark, and (2) likelihood of confusion. Soc’y of Fin. Exam’rs v. Nat’l Ass’n of Certified Fraud Exam’rs Inc., 41 F.3d 223, 224 (5th Cir. 1995). Decades of Fifth Circuit trademark law endorse a case-by-case, fact-intensive, eight-factor test for determining the “likelihood of confusion” element. Although evidence of initial interest confusion may be considered in analyzing one of the eight factors for likelihood of confusion, Elvis Presley Enters., Inc. v. Capece, 141 F.3d 188, 204 (5th Cir. 1998), Plaintiffs would have this Court treat this mere evidentiary point as the “sole question for liability.” (Mot. at 4). Even if Plaintiffs’ untenable “theory” were sufficient to support a single claim of trademark

² USPTO records list Paul F. Toscana as having the mark “Intellectual Property” for “clothing,” and John A. Clifford as having the same mark for “table wine.” (Butzer Decl. Exs. 18 & 19). According to Plaintiffs’ theory of the case, Internet users searching for the term “intellectual property” (1) necessarily are looking for both Toscana and Clifford, and (2) expect that all sponsored links displayed in response are sponsored by Toscana and Clifford.

³ Initial interest confusion is “confusion that creates initial consumer interest, even though no actual sale is finally completed as a result of the confusion.” Elvis Presley Enters., Inc. v. Capece, 141 F.3d 188, 204 (5th Cir. 1998).

infringement, which it is not, this finding could not be applied on a class-wide basis.

Lead Plaintiff The Rodney A. Hamilton Living Trust (“RAH”) cannot serve as a class representative because there is no evidence that anyone has bid on RAH’s alleged trademark “GenuineBrands” during the class period, meaning no advertisement or “sponsored link” was displayed in response to a bid for that term. Therefore, RAH lacks Constitutional and prudential standing, is atypical and is not a member of the class it purports to represent. Plaintiff John Beck Amazing Profits, LLC (“Beck”) similarly cannot serve as a class representative because it has engaged in the very conduct it complains is infringing – which evidences not only its own unclean hands, but also the serious conflicts that will pervade the proposed class.

In relying solely upon Rule 23(b)(2), Plaintiffs also have abandoned any possible claims of compensatory and punitive damages for a proposed class. Plaintiffs’ Amended Complaint contends that the class’s monetary damages are substantial, but Plaintiffs’ Motion now states they “are not seeking damages related to the infringement of the individual marks.” (Mot. at 3). Representatives cannot simply release allegedly substantial class damage claims in exchange for a better chance of certification – particularly since there is no right to notice or to opt-out under 23(b)(2). McClain v. Lufkin Indus., Inc., 519 F.3d 264, 283 (5th Cir. 2008). Such a sacrifice of class members’ rights to significant legal remedies is “too high a price to impose” and precludes Rule 23(b)(2) certification. Id.

Nor can Plaintiffs avoid this result by seeking an undefined “equitable disgorgement” with its injunction remedy. (Mot. at 3). The Fifth Circuit has squarely held that Rule 23(b)(2) certification is not appropriate when, as here, an injunctive class seeks disgorgement where Plaintiffs will not be “automatically entitled to the monetary remuneration once liability is established for the class.” In re Wilborn, 609 F.3d 748, 757 (5th Cir. 2010). Plaintiffs’ claim of

“equitable disgorgement” does nothing to alter the highly fact-intensive and individualized inquiries that must be conducted when determining whether profits may be awarded for infringement. Pebble Beach Co. v. Tour 18 I Ltd., 155 F.3d 526, 554 (5th Cir. 1998) (an award of defendant’s profits is “not automatic”). Indeed, trademark damages, which are inherently individualized, are antithetical to Rule 23(b)(2) certification, where only “uniform group remedies” may be “awarded without requiring a specific or time-consuming inquiry into the varying circumstances and merits of each class member’s individual case.” Allison v. Citgo Petroleum Corp., 151 F.3d 402, 414 (5th Cir. 1998).

A district court may certify a class only if, after a “rigorous analysis,” it determines that the party seeking certification has borne its burden. Castano v. Am. Tobacco Co., 84 F.3d 734, 740 (5th Cir. 1996). Plaintiffs have failed. They present no explanation as to how to try any of their numerous causes of action on a class-wide basis; nor do they assist this Court in evaluating “the claims, defenses, relevant facts and applicable substantive law in order to make a meaningful determination of the certification issues.” Id. at 744. For all of the reasons stated herein, certification should be denied.

II. FACTS

A. GOOGLE ADWORDS.

Google owns and operates one of the world’s most utilized search engines, which enables people to locate information on the Internet for free. To use Google’s search engine, users enter a word or phrase into the search box and click enter. Google then displays a search results page of links to websites (known as “organic links”) which it has algorithmically determined are relevant to the user’s query. (Barker Decl. ¶3).

AdWords is Google’s online advertising service that allows advertisers to create ads and to display them online in a manner analogous to a newspaper, magazine or television station

selling advertising space.⁴ Through AdWords, advertisers can “bid” on “keywords” in an effort to trigger the display of their ads as a “sponsored link.”⁵ Sponsored links appear alongside organic links on Google.com and its partner sites. Merely bidding on a keyword does not ensure that an advertiser’s sponsored link will be displayed. Each time an end user searches on Google, Google algorithmically determines which advertisements are relevant based on the query, and displays qualifying advertisements deemed relevant alongside the organic links returned on the search page. (Barker Decl. ¶4).

To advertise using Google’s AdWords program, an advertiser submits the following: ad text, a bid amount, and a keyword that the advertiser wishes to associate with its ad text. Advertisers can select any combination of letters, symbols, words or phrases as their keywords. Advertisers are contractually responsible for the keywords they choose to trigger sponsored links, as well as the ad text that is displayed. (Barker Decl. ¶5).

Google’s AdWords trademark policy aims to provide users with choices relevant to their queries. Since 2004, Google’s U.S. trademark policy has permitted advertisers to use trademarks as keyword triggers for ads. Prior to 2009, Google would investigate a complaint from a trademark owner regarding the use of the trademark in ad text of a sponsored link. If Google’s investigation found that the advertiser was using the trademark in ad text without express authorization from the brand owner, Google would require the advertiser to remove the trademark and Google would prevent the advertiser from using it in ad text in the future. (Barker Decl. ¶6). In 2009, Google revised its policy to permit a very limited set of advertisers to legitimately use the trademarks of others in ad text, namely, those who (1) resell legitimate

⁴ Jurin v. Google, Inc., 695 F. Supp.2d 1117, 1123 (E.D. Cal. 2010) (recognizing AdWords merely “allows competitors to post their digital fliers”); Rosetta Stone Ltd v. Google Inc., --- F. Supp.2d ----, 2010 WL 3063152, at *7 (E.D. Va. Aug. 3, 2010) (explaining AdWords is “akin to a newspaper or magazine selling advertising space.”).

⁵ The FTC approved use of “sponsored links” to identify paid listings on search engines such as Google. (Butzer Decl. Ex. 1).

products, (2) sell components, replacement parts or compatible products, or (3) provide non-competitive information about the goods or services related to the trademarks. (Barker Decl. ¶7).

B. CLASS REPRESENTATIVE RAH.

RAH alleges that it owns a trademark registration for “GenuineBrands” to promote and advertise “the goods and services of others by means of operating an online shopping mall.” (Am. Comp. ¶1(a)). Until recently, the RAH website merely was a collection of links that takes the Internet user to blank web pages; there were no goods or services offered for sale. (Butzer Decl. Ex. 54). Since at least as early as May 11, 2005, no advertiser has bid on the keyword “GenuineBrands” through the Google AdWords program, and as such, no sponsored link has displayed in response to an advertiser’s bid on this keyword. (Barker Decl. ¶25).⁶

C. CLASS REPRESENTATIVE BECK.

Beck alleges that it owns a trademark registration for “John Beck’s.” (Mot. at 16 & n.9).⁷ Beck sells a real estate investment “system” through infomercials that claim high valued homes can be purchased for “pennies on the dollar.” (Butzer Decl. Ex. 59). Although it asserts a loss of goodwill here, Beck is currently subject to a federal court injunction obtained by the FTC to stop Beck from making such false and misleading claims to the consuming public. (*Id.* at 14). The record reflects that Beck, a longtime AdWords advertiser,⁸ has itself bid on at least seven terms that also are registered marks that triggered the display of sponsored links: “moore,” “UK,” “intellectual property,” “California real estate,” “Robert Allen Institute,” “Robert Allen,” and

⁶ Plaintiffs offer no evidence that RAH owns a federal trademark, and it cannot show it submitted to the Trademark Office a proper statement of use, which is a condition of registration. 37 C.F.R. § 2.56.

⁷ Plaintiffs offer no evidence that Beck owns a federal trademark, and serious issues exist about ownership. Court documents reflect that any trademark rights were lost years ago. (Butzer Decl. Ex. 60).

⁸ In 2006, Beck complained to Google about certain ad text appearing in sponsored links of other advertisers and keywords relating to those advertisements. Google resolved the complaint pursuant to its AdWords policy. (Barker Decl. ¶26-27). Beck also issued cease and desist letters to advertisers directly. (Butzer Decl. Ex. 61).

“Carleton Sheets.” (Barker Decl. ¶¶22, 23).⁹

III. PLAINTIFFS’ MOTION FOR CLASS CERTIFICATION SHOULD BE DENIED

To decide this Motion, going “beyond the pleadings is necessary, as a court must understand the claims, defenses, relevant facts, and applicable substantive law in order to make a meaningful determination of the certification issues.” Castano, 84 F.3d at 744. Plaintiffs have utterly failed to identify their individual claims or the elements thereof,¹⁰ nor have they discussed, much less established, how this massive case could ever be tried on a class-wide basis. Plaintiffs’ Motion, thin on analysis, evidence and relevant authority, does not begin to satisfy Plaintiffs’ substantial burden to achieve class certification.

Plaintiffs’ sole contention for liability – that the use of trademarks by advertisers as keyword triggers to display sponsored links is trademark infringement – has been rejected in numerous individual suits.¹¹ In the limited number of cases that have proceeded to final decision as to Google, courts have likewise found the use of trademarks to trigger sponsored links to be lawful. In Rosetta Stone Ltd. v. Google Inc., summary judgment was entered in Google’s favor on trademark infringement claims similar to those here “because no reasonable trier of fact could find that Google’s practice of auctioning [the plaintiff’s] trademarks as keyword triggers to third party advertisers creates a likelihood of confusion as to the source or origin of [the plaintiff’s]

⁹ According to the USPTO records, registrations exist for each of the terms, with two owners claiming “intellectual property.” (Butzer Decl. Exs. 8 - 20).

¹⁰ Plaintiffs do not even mention their causes of action for contributory or vicarious trademark infringement.

¹¹ See, e.g., Fair Isaac Corp. v. Experian Info. Sol. Inc., 2009 WL 4263699, at *1 (D. Minn. Nov. 25, 2009) (evidence did not support “a credible inference” that purchases of trademarks “as keyword search terms was likely to confuse consumers”); Designer Skin, LLC v. S&L Vitamins, Inc., 560 F. Supp.2d 811, 818-19 (D. Ariz. 2008) (mere use of marks as search-engine keywords “does not result in initial interest confusion”); J.G. Wentworth S.S.C. Ltd. P’ship v. Settlement Funding LLC, 85 U.S.P.Q.2d 1780, 1786 (E.D. Pa. 2007) (initial interest confusion does not apply to the use of “registered marks through Google’s AdWords program”); Tiffany (NJ) Inc. v. eBay Inc., 600 F.3d 93, 103 (2d Cir. 2010) (eBay’s use of Tiffany’s mark on its website and in sponsored links was lawful).

products.” --- F. Supp.2d ----, 2010 WL 3063152, at *6 (E.D. Va. Aug. 3, 2010).¹² While certification is not about the merits, it is also well-settled that the collective wisdom of individual juries is necessary before the fate of an industry practice should be committed to a single jury – particularly when the legal theories are novel. 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.”). The same is certainly true here, when the practice complained of has been found lawful in individual cases.

A. TRADEMARK CASES ARE UNSUITABLE FOR CLASS TREATMENT.

Trademark infringement claims are inherently unsuitable for class treatment. (Simonson Decl. ¶11). “Trade-marks are not monopolistic grants like patents and copyrights;” indeed, they confer “no monopoly whatever in a proper sense.” S. Rep. No. 79-1333 (1946), reprinted in 1946 U.S.C.C.A.N. 1274, 1275. A trademark only provides protection to the extent it distinguishes a product or service. Sport Supply Group, Inc. v. Columbia Cas. Co., 335 F.3d 453, 460 (5th Cir. 2003). As a result, the same term can serve as a registered trademark for many different companies and for many different goods and services. See, e.g., Butzer Decl. Exs. 2-3 (“Configurator”), Exs. 18-19 (“Intellectual Property”), Exs. 9-12 (“Robert Allen”), Exs. 21-50 (“Vulcan”), and Exs. 51-53 (“Texas Pride”).

To prevail on a trademark infringement claim, a plaintiff must prove two fact-intensive elements: (1) ownership in a legally protectible mark, and (2) likelihood of confusion. Soc’y of Fin. Exam’rs, 41 F.3d at 224. As to the first element, “[p]roof of registration of a service mark or trademark is only prima facie evidence” of the registrant’s right to use the mark for the

¹² See also Jurin v. Google Inc., 2010 WL 3521955, at *3-4 (E.D. Cal. Sept. 8, 2010) (rejecting “that end users would have a reasonable expectation that the websites on [Google’s] search results page are sponsored by or related to Plaintiff, and that said consumers may become ‘confused, mistaken, misled and/or deceived’ that ‘Sponsored Links’ may be affiliated with or approved by Plaintiff.”).

specific goods and services set forth in the registration. Elvis Presley Enters., Inc. v. Capece, 141 F.3d 188, 194 (5th Cir. 1998) (citing 15 U.S.C. § 1115(a)). The presumption of validity “has never absolved the district court of its responsibility to conduct an independent validity of the mark analysis,” Enrique Bernat F., S.A., et al. v. Guadalajara, Inc., 210 F.3d 439, 443 n.2 (5th Cir. 2000), and indeed, “evaporates as soon as evidence of invalidity is presented.” Amazing Spaces, Inc. v. Metro Mini Storage, 608 F.3d 225, 239 (5th Cir. 2010) (affirming dismissal of infringement claim because mark, although federally registered, was not inherently distinctive).¹³

If ownership of a distinctive mark is established,¹⁴ then a plaintiff must prove a likelihood of confusion. This element is decided by considering a variety of non-exhaustive “digits of confusion” that are weighed differently from case to case. Xtreme Lashes, LLC v. Xtended Beauty, Inc., 576 F.3d 221, 227 (5th Cir. 2009). The digits include: (1) strength of the plaintiff’s mark; (2) mark similarity; (3) product similarity; (4) outlet and purchaser identity; (5) advertising media identity; (6) defendant’s intent; (7) actual confusion; and (8) care exercised by potential purchasers. Oreck Corp. v. U.S. Floor Sys., Inc., 803 F.2d 166, 170 (5th Cir. 1986). The Fifth Circuit cautions that “we must consider the application of each digit in light of the specific circumstances of the case; otherwise, we risk inadvertently lowering the standard of confusion.” Scott Fetzer Co. v. House of Vacuums Inc., 381 F.3d 477, 485 (5th Cir. 2004).¹⁵

In the trademark context, “words are chameleons, which reflect the color of their

¹³ The proposed class includes marks on the Supplemental Register, which are not entitled to any presumptions. 15 U.S.C. §1094. Owners of such marks must prove acquired distinctiveness through secondary meaning. See Amazing Spaces, 608 F.3d at 247. Individual issues would increase exponentially for such marks.

¹⁴ Marks are classified in categories of generally increasing distinctiveness: (1) generic; (2) descriptive; (3) suggestive; (4) arbitrary; or (5) fanciful. Amazing Spaces, 608 F.3d at 240. Generic marks are not protectible and descriptive marks must establish secondary meaning to garner protection. Id.; supra note 14 (secondary meaning).

¹⁵ Defendants also have pled numerous affirmative defenses, requiring the trier of fact to examine, potentially for each of thousands of marks, whether the mark (1) was obtained or registered fraudulently; (2) was abandoned; (3) is being used to misrepresent the source of goods or services; (4) is being fairly used; (5) is compromised by unclean hands; and (6) is functional. See 15 U.S.C. §1115(b)(1)-(4). See Defendants’ Answers at 33-38.

environment.” Am. Heritage Life Ins. Co. v. Heritage Life Ins. Co., 494 F.2d 3, 11 (5th Cir. 1974).¹⁶ Thus, careful, mark-specific analysis requires close examination of the particular use of the mark at issue, something wholly incompatible with class-wide proof requirements. The recent USPTO decision in In re Princeton Tectonics, Inc., 95 U.S.P.Q.2d 1509 (T.T.A.B. 2010), illustrates the individualized issues present in virtually every trademark case. There, the TTAB reversed a refusal to register the mark “Epic” for personal headlamps because of a registration for the same mark for electric lighting fixtures. Id. at 1511-12. The TTAB examined volumes of evidence and concluded that “relevant purchasers” would not “mistakenly believe that the respective goods originate from the same source, even if the same mark is used on both.” Id.

At root, Plaintiffs posit that users expect that all “‘sponsored links’ will be sponsored by the owner of the mark.” (Mot. at 3.). This improperly assumes that trademark laws grant monopolies in words, Prestonettes, Inc. v. Coty, 264 U.S. 359, 369 (1924), and that “using a trademarked keyword means that the searcher wanted to find the trademark owner.” E. Goldman, Deregulating Relevancy in Internet Trademark Law, 54 Emory L. J. 507, 566 (2005). For example, under Plaintiffs’ theory, Internet users searching for “Texas Pride” necessarily are looking for the owner of the trademark “Texas Pride.” Yet, the USPTO lists three owners for “Texas Pride”: JBSS for processed nuts, Susser Petroleum for motor vehicle fuel, and Bernard Egan & Co. for fresh fruit. (Butzer Decl. Exs. 51-53). Plaintiffs’ theory offers no means to determine which mark owner was searched for, if any – a problem that becomes exponentially more severe when applied to the putative class.

Aside from problems caused by multiple registrants, numerous lawful ads would be

¹⁶ For example, no likelihood of confusion was found in the following fact-intensive cases, involving disputes over identical trademarks: In re The Shoe Works, Inc., 6 U.S.P.Q.2d 1890, 1891 (T.T.A.B. 1988) (“PALM BAY”); Taj Mahal Enters., Ltd. v. Trump, 745 F. Supp.240 (D.N.J. 1990) (“TAJ MAHAL”); California Fruit Growers Exch. v. Sunkist Baking Co., 166 F.2d 971 (7th Cir. 1947) (“SUNKIST”).

unjustifiably prohibited by the adoption of Plaintiffs' theory. For example, authors of books about Texas history and Bar-B-Q restaurants in Texas would be barred from advertising a sponsored link by bidding on the keyword "Texas Pride" simply because the word also happens to be a registered trademark for certain goods or services. The difficulties of this approach are insurmountable in the case of individual trademarks and ads. Thus Plaintiffs' claims are, and have been held to be, entirely inappropriate for class treatment. Vulcan, 254 F.R.D. 521, 535.

B. RAH LACKS STANDING AND IS NOT A MEMBER OF THE PUTATIVE CLASS.

Remarkably, RAH's alleged mark "GenuineBrands" has not even been bid on as a keyword in Google AdWords (Barker Decl. ¶25), yet this unharmed Plaintiff seeks to enjoin Google, and by extension, all AdWords advertisers, from engaging in pro-competitive and pro-consumer activity. This class representative has suffered no injury in fact and, thus, lacks Article III standing, "an essential and unchanging part of the case-or-controversy requirement of Article III."¹⁷ Lujan, 504 U.S. at 560. Without standing, a class representative may not seek relief on its own behalf or any member of the class. O'Shea v. Littleton, 414 U.S. 488, 494 (1974). RAH is not a class member because the class definition requires that its alleged registered trademark have been "sold" by Google as a keyword, and thus the Motion as to RAH should be denied because "[a] plaintiff cannot represent a class of whom he is not a part." Ordonez v. Napolitano, 598 F.3d 222, 227 (5th Cir. 2010).

C. PLAINTIFFS' PROPOSED CLASS IS NOT CLEARLY ASCERTAINABLE.

Certification should also be denied because the proposed class definition fails to clearly identify those to be bound by any class order. John v. Nat'l Sec. Fire & Cas. Co., 501 F.3d 443, 445 (5th Cir. 2007) (ascertainable class "is an implied prerequisite" of Rule 23). A class is not

¹⁷ A plaintiff must also show the likelihood of suffering future injury and that an injunction will prevent such injury. Bolin v. Sears, Roebuck & Co., 231 F.3d 970, 978 (5th Cir. 2000).

“clearly ascertainable” if class membership would require, as here, individual inquiries. In re Vioxx Prods. Liab. Litig., No. 08-1633, 2008 WL 4681368, at *10 (E.D. La.), aff’d, 300 Fed.Appx. 261 (5th Cir. 2008) (denying 23(b)(2) certification because “any finding that a class member has an ‘enforceable’ reimbursement provision appears to depend upon a resolution of the merits of each individual claim.”). Plaintiffs’ class definition would require numerous individualized inquiries to determine ownership. (Mot. at 4). Indeed, one of the grounds for denying Rule 23(b)(2) certification in Vulcan was the individual issues of proving ownership. Vulcan, 254 F.R.D. at 535-36.¹⁸

D. PLAINTIFFS FAIL TO PROVE EACH OF THE RULE 23(A) ELEMENTS.

Rule 23(a) requires four prerequisites: (1) numerosity¹⁹; (2) commonality²⁰; (3) typicality; and (4) adequacy. Plaintiffs cannot satisfy these basic requirements.

1. Plaintiffs Are Atypical.

To begin with, RAH is atypical because its claimed trademark was never bid on during the relevant time period. (Barker Decl. ¶25); Dallas Gay Alliance, Inc. v. Dallas County Hosp. Dist., 719 F. Supp. 1380, 1391 (N.D. Tex. 1989) (named plaintiff who had not suffered an injury did not possess claims typical of class members). Rule 23(a)(3) also “requires typicality with respect to the named representative’s claims and/or defenses and the claims and/or defenses of the entire class.” Warren v. Reserve Fund, Inc., 728 F.2d 741, 747 (5th Cir. 1984). A defense unique to a class representative justifies denial of class certification on typicality. Feder v. Elec. Data Sys. Corp., 429 F.3d 125, 138 (5th Cir. 2005). Here, RAH and Beck will be “required to

¹⁸ Plaintiffs misread Vulcan (Mot. at 10, n.8), which specifically applied trademark infringement law in order to analyze claims under the anti-cybersquatting statute. Vulcan, 254 F.R.D. at 528 n.2.

¹⁹ Plaintiffs have presented no evidence, only conclusory statements, as to numerosity. (Mot. at 13); Fleming v. Travel Labs., Inc., 707 F.2d 829, 833 (5th Cir. 1983) (“mere allegation” not enough).

²⁰ There is no commonality because proof on Plaintiffs’ “sole” evidentiary issue of initial interest confusion will be different for each sponsored link displayed in response to each trademark keyword bid. Trevino v. Holly Sugar Corp., 811 F.2d 896, 905 (5th Cir. 1987) (denying certification because of the “necessity for individualized proof”).

devote considerable time to rebut” numerous defenses specific to them. Id. at 138.²¹ Beck also will be burdened by its own unclean hands - the fact that it too bid on numerous keywords that also were registered trademarks that resulted in the display of sponsored links. (Barker Decl. ¶¶22, 23). Beck must also overcome the defense that it waived its claims here because Google satisfied Beck’s request for relief in 2006. (Id. at ¶¶26) But even if Plaintiffs could make out a claim here for themselves, the atypical nature of their claims would not establish anything for the other class members. Trevino v. Holly Sugar Corp., 811 F.2d 896, 905 (5th Cir. 1987).

2. Plaintiffs Are Inadequate.

To meet Rule 23(a)(4) requirements, “the court must find that class representatives, their counsel, and the relationship between the two are adequate to protect the interests of absent class members.” Unger v. Amedisys Inc., 401 F.3d 316, 321 (5th Cir. 2005). Plaintiffs are inadequate because they relinquished the proposed class members’ potential rights to compensatory and punitive damages for alleged trademark infringement. (Mot. at 3); McClain v. Lufkin Indus., Inc., 519 F.3d 264 (5th Cir. 2008).²² In McClain, the Fifth Circuit affirmed the denial of class certification under 23(b)(2) on the basis that the “class representatives would be ‘inadequate’ if they dropped the class members’ demand for compensatory and punitive damages in order to protect the ‘predominance’ of nonmonetary claims.” Id. at 283. The Court concluded that if the price of a Rule 23(b)(2) class “both limits individual opt outs and sacrifices class members’ rights to avail themselves of significant legal remedies, it is too high a price to impose.” Id. The Fifth Circuit also endorsed Zachery v. Texaco Exploration & Prod., Inc., 185 F.R.D. 230, 239 (W.D. Tex. 1999), in which 23(b)(2) certification was denied for the same reasons. McClain,

²¹ See supra notes 6, 7 & 8 for examples such as invalidity, abandonment and waiver, respectively.

²² Plaintiffs claim damages for “diversion of business; confusion; loss of revenue; loss of goodwill ...” (Am. Compl. at 2, 4); (Mot. at 6). The Motion contends that “Google and the other defendants in this case have made billions of dollars by selling the right to use other people’s registered trademarks to competitors and other parties” (Mot. at 2). Yet certification of a class seeking such alleged damages is disclaimed. (Mot. at 3).

519 F.3d at 283. The Fifth Circuit specifically characterized actions that disclaim class damages, similar to that proposed by Plaintiffs, as a “serious conflict of interest.” Id.

Plaintiffs also are inadequate because of severe intra-class conflicts. Langbecker v. Elec. Data Sys. Corp., 476 F.3d 299, 315 (5th Cir. 2007) (“Numerous courts have held that intraclass conflicts may negate adequacy under Rule 23(a)(4).”). Here, if Plaintiffs’ theory of infringement is accepted, the proposed class would be filled with trademark owners who are antagonistic toward one another. For example, class representative Beck bid on at least seven words that are also registered trademarks and, under Plaintiffs’ theory, has thus been a serial trademark infringer for much of the class period. (Barker Decl. ¶¶22, 23).²³ If the named Plaintiffs indeed are representative of the class, then a significant portion of the putative class is in the untenable position of having potential infringement claims against other class members, including these particular class representatives. Langbecker, 476 F.3d at 315-16.²⁴ The serious conflict also highlights that a substantial number of putative class members view sponsored links from trademark keyword bids as a tremendous benefit – not an activity to be enjoined. See id.

E. PLAINTIFFS FAIL TO PROVE THE REQUIREMENTS OF RULE 23(B)(2).

A Rule 23(b)(2) class is, “by its very nature, assumed to be a homogenous and cohesive group with few conflicting interests among its members.” Allison, 151 F.3d at 413. Injunctive relief in such actions must predominate over monetary damage claims, Maldonado v. Ochsner Clinic Found., 493 F.3d 521, 524 (5th Cir. 2007), which reflects the “concern that plaintiffs may attempt to shoehorn damages actions into the Rule 23(b)(2) framework, depriving class members of notice and opt-out protections.” Bolin, 231 F.3d at 976. Before a court may impose injunctive

²³ FPX, the class representative in the Texas class action, bid on its alleged competitor’s mark, “BigMachines” – the very company FPX complains has bid on its mark, “Firepond.” (FPX Compl. at 13); (Barker Decl. ¶24).

²⁴ See Valley Drug Co. v. Geneva Pharms., Inc., 350 F.3d 1181, 1189-90 (11th Cir. 2003) (a conflict “exists where some party members claim to have been harmed by the same conduct that benefitted other members of the class”).

relief, a plaintiff must prove each of the elements of each of its causes of action, Allison, 151 F.3d at 423-24, as well as the requirements specified by Rule 65 and equity. Here, Plaintiffs' proposed class is not cohesive, individualized issues bar class treatment, their theory is not certifiable, and an injunction class is inappropriate.

1. The Proposed Class Is Not Cohesive.

Because cohesiveness is a 23(b)(2) requirement, a court is not relieved of its obligation to determine whether the existence of individual issues precludes certification. See, e.g., Langbecker, 476 F.3d at 317 (23(b)(2) certification denied where “[f]inal resolution of class members’ claims will involve” issues including causation, and affirmative defenses); Bolin, 231 F.3d at 976 (holding the individualized findings for the reliance element of a RICO claim defeated 23(b)(2) certification). Resolution here – both as to liability and equitable disgorgement – necessarily requires “complex individualized determinations.” Allison, 151 F.3d at 415.

As held in Vulcan, trademark infringement actions are inherently ill-suited for class treatment. Vulcan, 254 F.R.D. at 535. Fact intensive inquiries abound – starting with the essential element of ownership. “[I]f the court has to conduct hearings regarding ownership on even a tiny fraction of the . . . registered [marks] . . . of the putative class members, such an undertaking would render proceeding as a class unmanageable.” Id. at 528. Also, no class-wide presumption of distinctiveness for marks is permitted, because it would be “in direct contravention of established law . . . [which] indicates it is a multi-faceted, fact-specific inquiry particular to each putative mark, which includes a detailed inquiry into whether a mark is generic, descriptive, suggestive, arbitrary, or fanciful.” Id. at 529. Affirmative defenses such as whether the marks were obtained fraudulently, have been abandoned, are being used to misrepresent the source of goods or services, and nominative fair use “simply add another layer to an already fact-specific inquiry that the court must delve into.” Id. at 531. This Court should

similarly deny Rule 23(b)(2) relief because “the individual inquiries that the plaintiffs’ proposed classes would require” run counter to the cohesiveness requirement. Id. at 535.

The evidence also reveals a lack of cohesiveness because potential class members are competitors and antagonistic. Many will have conflicting claims to ownership over the same word or phrase, will be in fierce competition with each other, and will have engaged in the very conduct that is complained of as infringing (see Plaintiff Beck). Such intra-class conflicts preclude the cohesiveness required by Rule 23(b)(2). See Ford v. Nylcare Health Plans, 190 F.R.D. 422, 428 (S.D. Tex. 1999), aff’d, 301 F.3d 329 (5th Cir. 2002) (finding 23(b)(2) cohesiveness negated when class members were competitors).

2. Plaintiffs’ Theory Of Initial Interest Confusion Is Not Certifiable.

Plaintiffs’ theory of initial interest confusion is an ill-disguised attempt to create cohesiveness when there is none. In doing so, Plaintiffs ignore settled Fifth Circuit law and improperly collapse the two fact-intensive elements that every plaintiff must prove to prevail on a trademark infringement claim. Soc’y of Fin. Exam’rs, 41 F.3d at 224. Likelihood of confusion is decided by considering a variety of non-exhaustive “digits of confusion” that are weighed differently from case to case. Xtreme Lashes, 576 F.3d at 227. In contrast, initial interest confusion is an evidentiary consideration when gauging one of the eight digits. Elvis, 141 F.3d at 194, 203-04. Thus, evidence of initial interest confusion alone does not establish liability in any trademark case, much less on a class-wide basis.

Plaintiffs’ theory of “initial interest confusion” is not supported by the three decisions they cite. Pet Silk, Inc. v. Jackson, 481 F. Supp.2d 824 (S.D. Tex. 2007),²⁵ and Kinetic Concepts, Inc. v. BlueSky Med. Group, No. SA-03-CA-0832, 2005 WL 3068223 (W.D. Tex.

²⁵ In Pet Silk, the plaintiff opposed use of its mark in metatags, but did not “object to [defendant’s] purchase of advertising on Google . . .” 481 F. Supp.2d at 825-26, 834. In assessing the actual confusion factor of likelihood of confusion, the court examined several instances of confusion, including initial interest confusion. Id. at 828-29.

Nov. 1, 2005),²⁶ confirm that initial interest confusion is an evidentiary issue to be considered in the context of the “actual confusion” digit in the eight factor likelihood of confusion test. Pet Silk and Kinetic also underscore the well-established principle that trademark cases involve individual inquiries that are best suited for individual adjudication, and not for class treatment.

Plaintiffs’ reliance on Rescuecom Corp. v. Google Inc., 562 F.3d 123 (2d Cir. 2009), in which the plaintiff complained that sponsored links caused confusion because they were not adequately differentiated from organic results, is similarly misplaced because Plaintiffs do not assert an analogous claim here. Id. at 126.²⁷ The opinion in Rescuecom concerned an entirely different issue, whether there was a “use” of the trademark in commerce. Id. at 130. As pertinent here, the Second Circuit emphasized it had “no idea” whether the AdWords program “causes a likelihood of confusion or mistake.” Id. at 124.²⁸ In fact, the very next year, the Second Circuit affirmed a finding that the display of sponsored links on Google triggered by trademark keywords was not confusing and was entirely lawful. Tiffany (NJ) Inc. v. eBay Inc., 600 F.3d 93, 103 (2d Cir. 2010) (“eBay’s use of Tiffany’s mark . . . in sponsored links was lawful”).

Ironically, Plaintiffs’ entire theory of liability is actually at odds with their own evidence. As admitted by Plaintiffs’ own expert, Professor Maronick,²⁹ not all sponsored links cause “initial interest confusion.” (Teicher Decl. Ex. 1, p. 193). Importantly, Maronick conceded that he has no basis to identify those sponsored links that create initial interest confusion from those

²⁶ Kinetic Concepts involved allegations that the defendant had “purchased [plaintiff’s] trademarks as keywords from Internet search engines.” 2005 WL 3068223, at *8. After considering the likelihood of confusion factors, the court found that keyword bids could be considered. Id. at *7-8. The court noted “[t]hese ‘digits of confusion’ [are]. . . best left to a determination by a jury.” Id. Thus, the decision supports Defendants’ contention that each trademark case is unique and individualized; hence, nothing in Kinetic supports class treatment.

²⁷ Plaintiffs’ expert testified that sponsored links are “clearly delineated.” (Teicher Decl. Ex. 1, p. 280).

²⁸ Rescuecom also supports Defendants’ position that significant antagonism exists among the putative class members. That case ended after Best Buy challenged Rescuecom’s keyword bids on Best Buy’s “geek squad” trademark. Rescuecom, Corp. v. BBY Solutions, Inc. d/b/a Best Buy, No. 5:09-cv-01149 (N.D.N.Y. Oct. 14, 2009).

²⁹ Defendants incorporate the Motion to Exclude and Reply, with supporting evidence. Fed. R. Civ. P. 10(c).

that do not. (Teicher Decl. Ex. 1, p. 194-195). This admission is fatal to the proposed class, as it concedes that there will indeed be instances where the practice at issue would not constitute infringement under Plaintiffs' own theory. Langbecker, 476 F.3d at 317; (cf. Mot. at 11, claiming this case presents "legal issues that when resolved for the named Plaintiffs will be resolved for all class members."). As Defendants' expert further explained, basic principles of consumer behavior and marketing rebut Plaintiffs' theory that initial interest confusion could possibly apply across all of the proposed class members and sponsored links because it is indisputable that trademarks vary in terms of consumer recognition, that sponsored links vary in content and context, and that there are large differences in consumer experience and care depending upon the goods and services at issue. (Simonson Decl. ¶11).

In sum, there is no evidence that permits initial interest confusion, much less liability, to be proven on a class-wide basis. Plaintiffs' own evidence shows it cannot be proven here.³⁰

3. Equitable Disgorgement Precludes Class Certification.

Plaintiffs concede they are "not seeking damages" because "it would not be possible to prosecute this matter by way of a class action if the individual damages suffered by each class member were in issue." (Mot. at 3). However, Plaintiffs still request "equitable disgorgement" coupled with injunctive relief (Mot. at 4). This also precludes certification under Rule 23(b)(2).

The Fifth Circuit's recent ruling in In re Wilborn, 609 F.3d 748 (5th Cir. 2010), is on point and dispositive. As here, the plaintiffs in Wilborn sought "disgorgement" and requested "no damages." Wilborn v. Wells Fargo Bank, N.A., 404 B.R. 841, 866 (S.D. Tex. 2009). Despite the differing events that occurred within each individual debtor's case, the bankruptcy court

³⁰ Under Plaintiffs' application of their theory, it is only after "clicking through" the sponsored links to the websites at issue that one can begin to determine whether initial interest confusion has occurred. (Mot. at 3, 6, 7 and 15; Teicher Decl. Ex. 1, pp. 85-86, 94-96). This confirms that individualized issues require that an ad by ad and mark by mark review be completed in order to determine the likelihood of confusion element of trademark infringement.

certified a 23(b)(2) class and required the defendant “to simply disgorge all fees that were not previously approved.” Wilborn, 609 F.3d at 756. The Fifth Circuit disagreed and vacated the certification order, observing that disgorgement would “depend on the specific circumstances of each class member...” Id. at 757. The Fifth Circuit emphasized that monetary relief is only incidental to class-wide injunctive relief when “plaintiffs will be automatically entitled to the monetary remuneration once liability is established for the class.” Id. (emphasis added).

Likewise, the circumstances here differ dramatically from mark to mark and ad to ad. Trademark infringement claims do not permit “automatic” damages. Pebble Beach Co. v. Tour 18 I Ltd., 155 F.3d 526, 554 (5th Cir. 1998); 15 U.S.C. §1111. An award of defendant’s profits is an issue for the jury and subject to a six-factor test, the evidence of which varies with each individual mark. Pebble Beach Co., 155 F.3d at 554. Equitable disgorgement is not incidental to class-wide injunctive relief and, thus, certification is barred. Wilborn, 609 F.3d at 757.

4. Plaintiffs Cannot Certify An Injunction Class.

Plaintiffs have not shown how the injunctive relief sought here would benefit most class members. The Fifth Circuit “has refused to permit certification of a class where many members ‘have nothing to gain from an injunction, and the declaratory relief they seek serves only to facilitate the award of damages.’” Langbecker, 476 F.3d at 316-17 & n.29. Here, Plaintiffs’ choice to proceed under 23(b)(2) would leave class members unable to bid on trademarks as keywords. For example, a retailer such as Wal-Mart could not bid on keywords that identify genuine goods it legitimately sells in its stores such as Clorox bleach or Levi’s jeans. Many class members would not gain anything from such “relief” – and indeed, would oppose it. McManus v. Fleetwood Enters., Inc., 320 F.3d 545, 553 (5th Cir. 2003).

A class also “must be sufficiently cohesive that any class-wide injunctive relief can satisfy the limitations of Federal Rule of Civil Procedure 65(d) - namely, the requirement that it

‘state its terms specifically; and describe in reasonable detail ... the act or acts restrained or required.’” Shook v. Bd. of County Comm’rs, 543 F.3d 597, 604 (10th Cir. 2008). Plaintiffs’ Motion nowhere states, let alone “specifically” and in “reasonable detail,” the terms of the injunction they seek. The Fifth Circuit has affirmed the denial of a 23(b)(2) order, noting that plaintiffs were “unable to explain how a court could define or enforce meaningful injunctive relief.” Maldonado, 493 F.3d at 525. Such difficulty in specifying an injunction “highlights the fact that individualized issues here overwhelm class cohesiveness.” Id. at 524.

Moreover, granting an injunction here would exceed the protection afforded marks under trademark law. For example, an injunction on all trademarked keywords would prevent resellers of genuine branded products from advertising them, which settled law explicitly allows. Scott Fetzer, 381 F.3d at 484; Tiffany, 600 F.3d at 103.³¹ It also would bar use of trademarks in comparative advertising, again a legally permissible use. Pebble Beach Co., 155 F.3d at 545-46. And it would impact free speech, as it would silence AdWords customers who offer reviews of trademark owners and their products. TMI, Inc. v. Maxwell, 368 F.3d 433 (5th Cir. 2004).³²

IV. CONCLUSION

No court has ever certified a class of trademark owners – and rightfully so. Trademark law makes trademark claims wholly unsuitable for class treatment. It requires an individualized inquiry for each mark and each use in context. Plaintiffs’ theory on initial interest confusion, even if accepted, does not alter this inevitable conclusion. The proposed class is not cohesive and intra-class conflicts abound. The injunctive and declaratory relief sought cannot be certified. For all the reasons stated in this brief, Defendants request that class certification be denied.

³¹ In Southwest Recreational Indus., Inc. v. FieldTurf, Inc., 2002 WL 32783971, at *7 (5th Cir. 2002), the Fifth Circuit rejected the contention that meta tagging a trademark necessarily constituted trademark infringement. The Court assessed the context of the use, including the website contents, and found no infringement.

³² Several websites identified by Beck as “infringing” are clearly such product review and comment sites. (Butzer Decl. Exs. 55–58).

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ATTORNEYS FOR DEFENDANTS

CERTIFICATE OF SERVICE

I hereby certify that on October 18, 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, October 18, 2010.

/s/ Charles L. Babcock

Charles L. Babcock

CERTIFICATE OF AUTHORIZATION TO FILE UNDER SEAL

Pursuant to Local Rule CV-5(a)(7)(A), I hereby certify that the Court has previously entered a Protective Order [Doc 38] dated February 25, 2010, allowing documents to be filed under seal. Therefore, the Declaration of Google Inc. Representative Kerry Barker will be filed under seal as an attachment hereto.

Dated October 18, 2010.

/s/ Charles L. Babcock

Charles L. Babcock