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Namecheap, Inc. and WhoisGuard, Inc.

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UNITED STATES DISTRICT COURT

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DISTRICT OF ARIZONA

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Facebook, Inc., a Delaware corporation;
Instagram, LLC, a Delaware limited

CASE NO. 2:20-cv-00470-GMS

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liability company; and WhatsApp Inc., a
Delaware corporation,

DEFENDANT NAMECHEAP, INC.'S

19

REPLY IN SUPPORT OF *REFILED*
MOTION TO DISMISS PURSUANT

20

Plaintiffs,

TO FED. R. CIV. P. 12(B)(6)

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vs.

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Namecheap, Inc., a Delaware corporation,
and WhoisGuard, Inc., a Republic of

23

Panama corporation,

(Oral Argument Requested)

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Defendants.

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1   Defendant Namecheap, Inc. ("Namecheap") hereby submits its reply in support of its

2   Motion to Dismiss the complaint filed by Plaintiffs Facebook Inc., Instagram LLC, and

3   WhatsApp Inc. (collectively, "Plaintiffs) pursuant to Fed. R. Civ. P. 12(b)(6) ("Motion").[1]

4   <div align="center">**MEMORANDUM OF POINTS AND AUTHORITIES**</div>

5   **I.   INTRODUCTION**

6   In their Opposition, Plaintiffs attempt to overcome the legal and factual deficiencies

7   in their claims for cybersquatting, trademark infringement, and trademark dilution by relying

8   upon non-existent allegations in the Complaint and misleading arguments. However, none

9   of these strategies work, and only underscore that the Complaint fails to state a claim against

10   Namecheap as a matter of law and cannot be cured with amendment.

11   Plaintiffs fail to refute that the Complaint is devoid of allegations that Namecheap

12   engaged in any acts, independent of the acts of WhoisGuard, that would make it liable for

13   violating the Anticybersquatting Consumer Protection Act ("ACPA"). Nor have Plaintiffs

14   demonstrated that Namecheap could be liable for the acts of Defendant WhoisGuard, Inc.

15   ("WhoisGuard") (together with Namecheap, "Defendants"), its alleged alter ego.

16   WhoisGuard cannot have violated the ACPA for registering domains Plaintiffs allege

17   infringe their marks ("Infringing Domains") because it did not have the requisite intent to

18   use the domains at registration. Likewise, WhoisGuard did not "traffick" in the domains,

19   because it licensed the domains for free. Further, Plaintiffs have not demonstrated that

20   WhoisGuard had bad faith intent to profit from Plaintiffs marks ***specifically*** at the time it

21   registered and licensed the Infringing domains to Namecheap customers (whom Plaintiffs

22   define as "Licensees"). There is no post-registration bad faith intent to profit with respect

23   to WhoisGuard registering and licensing a domain.

24

25   _____

26   [1] This Reply is in excess of the 11-page limit required by LRCiv. 7.2(e) by 6 pages.
     Namecheap filed a Motion to file this Reply in excess of the page limit (Dkt. # 34), but as

27   of the filing of this brief, the Court has not yet issued a ruling on that motion. Namecheap
     has made a good faith effort to shorten this Reply, but requests an opportunity to refile it if

28   the Court denies its Motion to file the Reply in excess of the page limit, so that it complies
     with LRCiv. 7.2(e).

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1   Plaintiffs are also unable to refute that WhoisGuard had bad faith intent to profit

2   merely because its privacy services protected customers information from the public as it

3   is required to do so under the European Union's General Data Protection Regulation

4   2016/679 ("GDPR"). Plaintiffs incorrectly argue that the GDPR requires WhoisGuard to

5   turn over its customer information to Plaintiffs upon demand.

6   Plaintiffs are also unable to state a claim for trademark infringement or dilution

7   against Namecheap. First, Plaintiffs do not allege that either Namecheap or WhoisGuard

8   used the Infringing Domains in commerce. Second, even assuming *arguendo* that

9   WhoisGuard entered into Namecheap's Domain Registration Agreement, it still did not

10   agree to be liable for the harmful acts of the Licensees.

11   Plaintiffs' arguments that Namecheap can be held liable for WhoisGuard's acts under

12   a direct participation theory fail because this theory only applies to a parent-subsidiary

13   relationship, and no such relationship is alleged as to Defendants.

14   For these reasons, Plaintiffs have failed to allege their claims against Namecheap as

15   a matter of law, and cannot cure their pleading defects with amendment.

16   **II.   LEGAL ARGUMENT**

17   **A.   Plaintiffs' First Claim for Cybersquatting Fails as a Matter of Law**

18   To allege a cause of action for cybersquatting under the ACPA, a trademark owner

19   must establish that the defendant used, registered, or trafficked in a domain name that is

20   identical or confusingly similar to the trademark owner's mark, with a bad faith intent to

21   profit. *Bosley Med. Inst., Inc. v. Kremer,* 403 F. 3d 672, 680 (9th Cir. 2005). Plaintiffs'

22   Opposition demonstrates that they are not able to establish these elements against

23   Namecheap as a matter of law.

24   *1.   Plaintiffs Cannot Allege a Claim for Cybersquatting Under the ACPA*

25   *Against Namecheap, Acting as a Registrar*

26   As Namecheap argued in its Motion, Plaintiffs have failed to allege any facts that

27   Namecheap, ***independent from WhoisGuard***, "used, registered, or trafficked in" the

28   Infringing Domains. In fact, their theory of liability as to Namecheap is based entirely upon

the alleged violations of the ACPA by WhoisGuard, Namecheap's supposed alter ego. *See*

2

1   Complaint, ¶¶ 57-68, 69-79.

2   Plaintiffs do not dispute that Namecheap did not "register" or "traffick in" the

3   Infringing Domains.   Instead, they argue for the first time in their Opposition that

4   Namecheap "used" the Infringing Domains to host parked pages for advertisements. This

5   argument fails because Plaintiffs *have not alleged a single fact* in the Complaint that

6   supports this argument. Indeed, the factual allegations in the Complaint only pertain to use

7   of the domains by "Licensees" (*i.e.*, Namecheap's customers to whom WhoisGuard licensed

8   the Infringing Domains), not by Namecheap. *See id*. at ¶¶ 57-68, 69-79, 85-89. Moreover,

9   neither the words "parked pages" nor any allegation regarding Namecheap's supposed

10   advertising activity are alleged anywhere in the Complaint.[2]

11   Nonetheless, even if Plaintiffs had made allegations against Namecheap related to

12   parked pages or advertising, their claim would still fail. Namecheap can only be held liable

13   under the ACPA for "using" the infringing domain if it is the *domain name registrant* or

14   the *registrant's authorized licensee*.   15 U.S.C. § 1125(d)(1)(D). Plaintiffs do not allege

15   anywhere in the Complaint that Namecheap (independent of WhoisGuard) is the domain

16   name registrant or authorized licensee, nor can they truthfully make such an allegation with

17   amendment.

18   Since Plaintiffs do not allege that Namecheap (independent of WhoisGuard) acted in

19   any other manner than as a domain name registrar, and Plaintiffs have failed to allege any

20   facts demonstrating bad faith intent to profit by Namecheap (*see* Part III(A)(3), *infra*),

21   Namecheap is entitled to the ACPA's safe harbor protection for domain name registrars. *See*

22   15 U.S.C. §1114(2)(D)(iii).[3]

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24   [2] Exhibit 12 cited to in the Motion consists of screenshots of various websites using the
25   Infringing Domains. Complaint, Exh. 12. This is insufficient to overcome the Complaint's
26   factual deficit because there are no allegations as to Namecheap's participation with any of
27   these websites, if at all. Further, in the context of the Complaint's allegations, these websites
    pertain to the Licensees' use of the Infringing Domains, not Namecheap's use of the same.

28   [3] Plaintiffs assert that Namecheap makes this same argument as to WhoisGuard in its Motion
    (*see* Opp. at 16:3-27), but Namecheap only argued that it—not WhoisGuard—was entitled
    to the ACPA safe harbor protection (*see* Mot. at 15:3-6).

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1   For these reasons, Plaintiffs have failed to allege a claim for cybersquatting against

2 Namecheap under the ACPA, and cannot cure this pleading defect with amendment.

3   2.   *Plaintiffs Have Failed to Allege that Namecheap's Purported Alter Ego*

4   *WhoisGuard "Used, Registered, or Trafficked in" the Domains*

5   Plaintiffs have also failed to refute Namecheap's arguments that the Complaint lacks

6 sufficient facts to support a claim against Namecheap for cybersquatting under the ACPA

7 for the acts of WhoisGuard, its alleged alter ego. Plaintiffs do not refute that WhoisGuard

8 did not "use" the Infringing Domains. Instead, they argue that WhoisGuard "registered" and

9 "trafficked in" the Infringing Domains. These arguments are unavailing.

10   Plaintiffs point to various allegations in the Complaint, to the Namecheap WHOIS

11 Proxy Agreement, and to screenshots from Namecheap's website to argue that WhoisGuard

12 "registered" the domains of Namecheap's customers who elected to use the WhoisGuard

13 privacy service. Namecheap disputes that WhoisGuard registered these domains as the act

14 of registering a domain is the submission of an application for use of the domain with a

15 registrar. *Solid Host, NL v. Namecheap, Inc.*, 652 F. Supp. 2d 1092, 1095 (C.D. Cal. 2009).

16 It is Namecheap's customers that submits this application with Namecheap at the time they

17 choose Namecheap as their registrar. The option to choose WhoisGuard's service only

18 occurs at checkout, or, as Plaintiffs acknowledge in the Complaint, at any point after the

19 customer has already paid for and registered its domain with Namecheap. *See* Complaint, ¶

20 60, Exh. 10. The only alleged "registration" of domains by WhoisGuard is through the

21 provision of its proxy service to Namecheap's customers who select its service—and all

22 WhoisGuard does is substitute its name and contact information for that of the customers on

23 the public WHOIS Directory.

24   Nonetheless, even assuming *arguendo* that WhoisGuard "registered" the Infringing

25 Domains, it still would not be liable for this act under the ACPA as the mere act of registering

26 a domain alone is insufficient to establish liability under the ACPA. Indeed, in enacting the

27 ACPA, Congress intended to target those who: (1) "register well-known domain names ***in***

28 ***order to*** extract payment from the rightful owners of the marks"; (2) "register well-known

marks as domain names and warehouse those marks ***with the hope*** of selling them to the

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1   highest bidder"; or   (3) "register well-known marks to prey on customer confusion by

2   misusing the domain name *to divert* customers from the mark owner's site to the

3   cybersquatter's own site." *See Lucas Nursery and Landscaping, Inc.*, 359 F. 3d 806, 809

4   (6th Cir. 2004) (*quoting* S. Rep. No. 106–140) (emphasis added). Congress did not intend to

5   target service providers like Defendants. To the contrary, it created the safe harbor for the

6   express purpose of insulating domain name registrars, registries, and other domain name

7   registration authorities from liability. 15 U.S.C. § 1114(2)(D)(iii). [4]

8   As alleged in the Complaint, WhoisGuard provides privacy services to those

9   Namecheap customers who (1) have chosen and paid for a domain to register, (2) with the

10   intent to use the domain. *See* Complaint, ¶¶ 60-61, 75, 85, 88. Even if WhoisGuard engaged

11   in the act of registering the Infringing Domains, the Complaint is devoid of allegations to

12   support WhoisGuard's *intent to use* the domains for malfeasance. *See* Part III(A)(3)(c). In

13   fact, as argued above, and as Plaintiffs concede, WhoisGuard never even "used" the

14   Infringing Domains at any time. *See* Opp. at 7:8-10:6; Complaint, ¶ 5. Instead, it is

15   Namecheap's customers who submitted their respective registration applications for the

16   Infringing Domains with Namecheap and selected the WhoisGuard privacy services with

17   malintent to use the domains. *See* Complaint, ¶¶ 5, 60, 85, 87-88. As such, WhoisGuard

18   cannot be deemed to have "registered" the Infringing Domains under the ACPA.

19   Plaintiffs have also failed to refute that WhoisGuard did not "traffick in" the

20   Infringing Domains. As argued in the Motion, the ACPA defines "trafficking" to mean

21   "transactions that include, but are not limited to, sales, purchases, loans, pledges, licenses,

22   exchanges of currency, and any other transfer *for consideration* or receipt in exchange for

23   consideration." 15 U.S.C. § 1125(d)(1)(E) (emphasis added). Plaintiffs do not dispute that

24   the Complaint fails to allege that WhoisGuard receives any consideration for licensing the

25   Infringing Domains, but instead alleges that the WhoisGuard privacy service is offered to

26   _____

27   [4] Congress could not have contemplated expressly including proxy and privacy service

28   providers like WhoisGuard in the ACPA's safe harbor because such services did not exist
     when the ACPA was enacted in 1999.

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1 customers for free. Complaint, ¶ 61. As such, WhoisGuard's licensing of the Infringing

2 Domains is not "trafficking" under the ACPA.[5]

3   In their Opposition, Plaintiffs refer to the Declaration of Emmanuel Salazar Zurita

4 submitted in support of WhoisGuard's Motion to Dismiss pursuant to Fed. R. Civ. P.

5 12(b)(2), which references the fact that a Services Agreement exists between Namecheap

6 and WhoisGuard. Plaintiffs refer to this Services Agreement in support of its argument that

7 WhoisGuard must have received consideration for licensing the Infringing Domains. In

8 analyzing the merits of Fed R. Civ. P. 12(b)(6) Motions to Dismiss, however, a court may

9 only look to four corners of the Complaint, as well as documents subject to judicial notice

10 and documents incorporated into the Complaint by reference. *See Tellabs, Inc. v. Makor*

11 *Issues & Rights, Ltd.,* 551 U.S. 308, 322 (2007). As such, any reference to evidence

12 submitted by WhoisGuard in support of its separate motion must be disregarded for purposes

13 of Namecheap's Motion.

14   Even if the Court were to consider Mr. Zurita's testimony referring to the Services

15 Agreement's existence, Plaintiffs' argument still fails. That Services Agreement is between

16 Namecheap and WhoisGuard, with consideration running from Namecheap to WhoisGuard,

17 for services WhoisGuard provides ***to Namecheap***. The ACPA, on the other hand, speaks of

18 licensing the domains "in exchange for consideration." 15 U.S.C. § 1125(d)(1)(E). As

19 Plaintiffs allege, WhoisGuard does not license the domains to Namecheap in exchange for

20 consideration, but to Namecheap's customers. Complaint, ¶¶ 5, 61. This is because

21 WhoisGuard does not have the ability to license a domain until the customer purchases the

22 domain for registration with Namecheap. Since WhoisGuard licensed the Infringing

23 Domains for free, it did not traffick in those domains.

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[5] Correspondingly, Plaintiffs have their remedies available as to those domains under the UDRP, via *in rem* court actions such as *Facebook, Inc., et al. v. facebook-verify-inc.com, et al*., Case No. 1:20-cv-00639-RDA-IDD, USDC Eastern District of Virginia, and against the customers in John Doe actions, none of which require the inclusion of Defendants to afford full relief.

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1   For these reasons, Defendants cannot be deemed to have registered, trafficked, or

2   used the Infringing Domains within the meaning of the ACPA.

3   *3.   Plaintiffs Have Failed to Allege Facts Sufficient to Demonstrate a Bad*

4   *Faith Intent to Profit by Defendants*

5   (a)   Plaintiffs have not sufficiently alleged "bad faith to profit" under

6   ACPA's nine factors

7   Plaintiffs argue incorrectly that the Complaint asserts "extensive allegations"

8   demonstrating the nine non-exclusive factors enumerated under the ACPA demonstrating

9   bad faith intent to profit. Their argument is misguided. First, Plaintiffs contend that because

10 Namecheap did not perform a full analysis of these factors, it does not dispute that Plaintiffs

11 adequately pled them. Contrary to Plaintiffs' argument, however, the Ninth Circuit has

12 noted that these factors are merely ***guidelines*** and are not dispositive in establishing bad

13 faith intent to profit from the mark. *See Lahoti v. VeriCheck, Inc.*, 596 F.3d 1190, 1202 (9th

14 Cir. 2009) ("'We need not, however, march through the nine factors seriatim because the

15 ACPA itself notes that use of the listed criteria is permissive.'" (citations omitted).). In fact,

16 "the most important grounds for finding bad faith are the unique circumstances of the case..."

17 *Interstellar Starship Services, Ltd. v. Epix, Inc.*, 304 F.3d 936, 946 (9th Cir. 2002). As such,

18 Namecheap was not required to do an analysis of these nine factors to demonstrate that

19 Plaintiffs had not demonstrated bad faith intent to profit by Defendants.

20   Second, Plaintiffs ignore that Namecheap demonstrated in its Motion that at least five

21 of the nine factors were not met. Specifically, Namecheap argued that WhoisGuard never

22 used Plaintiffs' marks (Mot., 15:10-18); that WhoisGuard did not register the domains (that

23 was the customers' doing); and that even if WhoisGuard registered the domains, it lacked

24 the requisite bad faith intent to profit from Plaintiffs' marks or with the knowledge that the

25 domain was confusing or similar to other marks (*id*. at 16:1-27). Moreover, as discussed

26 above, Plaintiffs do not allege anywhere in the Complaint that Namecheap used the domains

27 to host advertising parked pages.

28   Plaintiffs additionally misread the seventh ACPA factor related to false contact

information. That factor concerns contact information provided when registering a domain

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1   and the registrant's failure to maintain that information. *See id.* WhoisGuard provided its

2   accurate contact information, as demonstrated by the fact that Plaintiffs successfully

3   contacted WhoisGuard on based the public WHOIS information for the domains at issue.

4   *See* Complaint, ¶¶ 83-84, 96, 98. Plaintiffs do not allege otherwise. Plaintiffs' arguments

5   that WhoisGuard misrepresented to them that it does not own or administer the domains do

6   not concern the accuracy of the ***contact information*** provided at the time the domain was

7   registered. *See id*. at ¶¶ 103-104. Therefore, even if these allegations were true, which they

8   clearly are not, they do not support a finding of bad faith under the seventh ACPA factor.

9   Therefore, Plaintiffs have not alleged sufficient facts to demonstrate bad faith intent

10   to profit by Defendants pursuant to the ACPA factors.

11   (b)   Plaintiffs fail to allege that Namecheap's alleged "scheme"

12   demonstrates bad faith intent to profit *from Plaintiffs' marks*

13   Plaintiffs argue that they alleged facts demonstrating a scheme by Defendants "to

14   attract cybersquatters to use their services to infringe trademarks belonging to Plaintiffs and

15   others." However, the only alleged facts (not conclusory allegations) supporting such a

16   scheme are (1) that Namecheap offers the WhoisGuard privacy service for free to any

17   customer who wants it, and (2) that WhoisGuard (and by extension, Namecheap) do not

18   reveal their customers' identity when trademark holders such as Plaintiffs present them with

19   "reasonable" evidence of harm. *See* Complaint, ¶¶ 88-92. As argued extensively in

20   Namecheap's Motion, identical arguments were raised and rejected by the court in *Solid*

21   *Host, NL v. Namecheap, Inc.* as insufficient to demonstrate bad faith intent to profit. *See*

22   Mot. at 9:1-11:6.

23   Just as in *Solid Host*, Plaintiffs fail to allege crucial factual allegations showing that

24   Namecheap intended to profit from the goodwill associated with ***Plaintiffs' trademarks***

25   ***specifically***. *See Solid Host,* 652 F. Supp. 2d at 110. Plaintiffs argue that Defendants had

26   bad faith intent to profit from Plaintiffs' marks after receiving notice from Plaintiffs of

27   infringement when (1) Namecheap continued to host advertising parked pages; and (2)

28   WhoisGuard continued to license the Infringing Domains to the Licensees. However, as

     argued above, Plaintiffs do not allege facts ***anywhere*** in the Complaint that Namecheap

                                              8

1 "used" the Infringing Domains to host advertising parked pages. Further, as explained

2 above, WhoisGuard cannot be deemed to have "trafficked" in domains under the ACPA.

3 Moreover, bad faith intent to profit by trafficking (specifically, WhoisGuard licensing

4 domains) can only occur at the time of registration. *See* Part III(B)(3)(c), *infra*.

5   Plaintiffs also do not allege how WhoisGuard profits from continuing to license the

6 Infringing Domains. The Complaint alleges that WhoisGuard does not receive compensation

7 for licensing the domains. Nor do Plaintiffs cite to any legal authority holding that continuing

8 to license a domain after receiving notice of "reasonable evidence" of infringement

9 demonstrates bad faith intent to profit from the mark.

10   (c) Bad faith intent to profit related to WhoisGuard's registration and

11   licensing of the domains can only occur at the time registration

12   In its Motion, Namecheap argued that Plaintiffs do not sufficiently plead a bad faith

13 intent to profit from the Plaintiffs' ***specific*** marks because they do not allege that this intent

14 existed at the of the Infringing Domains' registration, as required under the ACPA. In

15 support, Namecheap cited *GoPets Ltd. v. Hise,* 657 F. 3d 1024, 1030 (9th Cir. 2011), which

16 held that a defendant's bad faith intent to profit must exist ***at the time of registration***, when

17 the basis for liability is "registration" of the domain. Plaintiffs do not dispute this. *See* Opp.

18 at 16:21-23. Instead, they argue that bad faith intent to profit may arise any time after

19 registration where the basis of liability is "use" or "trafficking in" the domains. Plaintiffs

20 arguments are unavailing.

21   Plaintiffs do not allege or even argue that WhoisGuard "used" the Infringing Domains

22 at any time, nor do they allege any facts whatsoever that Namecheap "used" the Infringing

23 Domains. Plaintiffs argument with respect to any post-registration bad faith intent to profit

24 by WhoisGuard for continuing to license the Infringing Domains to the Licensees also fails.

25 As argued above, WhoisGuard cannot be deemed under the ACPA to have trafficked in the

26 Infringing Domains because, as Plaintiffs' allege, it licensed these domains to the Licensees

27 for free. Moreover, much like "registering" a domain, licensing a domain occurs ***only once***,

28 which is at the time the Namecheap customer opts to use WhoisGuard privacy service,

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1   typically at the time of registration. It is not a continuing act that can be stopped and started

2   at any time, such as "use" of a domain.

3   The Complaint also does not allege any facts that WhoisGuard knew at the time it

4   registered and licensed the Infringing Domains to the Licensees that these domains infringed

5   on Plaintiffs' marks, nor do they allege that WhoisGuard had bad faith intent to profit from

6   Plaintiffs' marks specifically at the time of registration and licensing. Therefore, it cannot

7   be deemed to have had bad faith intent to profit from Plaintiffs' mark.

8   The cases cited by Plaintiffs are distinguishable. In those cases, the defendants

9   engaged in some new action post-registration that demonstrated bad faith intent to profit.

10 Specifically, the defendants "used" of "trafficked" in the domains at issue to gain some sort

11 of leverage or personal advantage. *See DSPT Inter., Inc. v. Nahum*, 624 F.3d 1213, 1220

12 (9th Cir. 2010) (holding former employee had bad intent to profit under ACPA by using

13 internet domain name containing employer's trademark that he registered years before to

14 gain leverage for his claim for commissions); *Storey v. Cello Holdings LLC*, 347 F.3d 370,

15 385 (2d Cir. 2003) (finding defendant had "bad faith" intent to profit for "use" of the mark

16 at issue by attempting to sell the domain to the mark owner or a third party for financial

17 gain); *Virtual Works v. Volkswagen*, 238 F.3d 264, 270 (4th Cir. 2001) (holding defendant

18 had bad faith intent to profit from the Volkswagen mark by offering to sell the mark to the

19 mark owner or else to the highest bidder years after registration). Here, Plaintiffs do not

20 allege that WhoisGuard engaged in any new action or altered its actions to gain leverage or

21 personal advantage over Plaintiffs with respect to the domains after it received notice of

22 infringement. In fact, as Plaintiffs allege, the opposite is true—WhoisGuard did nothing.

23   For these reasons, Plaintiffs have failed to allege bad faith intent to profit from

24 Plaintiffs' marks to support liability under the ACPA.

25   *4.   The GDPR prohibits disclosure of Namecheap's customer data*

26   Plaintiffs argue that, to comply with the GDPR, ICANN only requires "redaction" of

27 customer information, but they cannot plausibly dispute that the GDPR requires Defendants

28 to keep its customers' WHOIS information *private*. That Defendants opted to use a privacy

service as the method to do so makes no difference as the effect is the same: customers'

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1   information is kept private unless they explicitly consent otherwise. Thus, Namecheap's

2   offering of WhoisGuard's privacy services by default brings it into compliance with the

3   GDPR.[6]

4   Plaintiffs also contend that ICANN's Temp. Spec. require Defendants to disclose

5   customer information in response to notices of alleged infringement because intellectual

6   property protection is a "legitimate interest". However, they ignore that "legitimate interest"

7   is a legal term of art under the GDPR which triggers a balancing test by the data controller

8   to determine whether "such interests are overridden by the interests or fundamental rights

9   and freedoms of the data subject which require protection of personal data[.]" Dkt. # 30-1

10   (GDPR Art. 6(1)(f)); Dkt. # 27-2 at 26, § 4.1; Exh. A, attached hereto at 3.[7]

11   Even if a third party has a "legitimate interest" based on IP rights, the European

12   Commission has clarified that "[t]he existence of such a right needs to be substantiated and

13   the necessity/proportionality of accessing that [customer] data [needs to be] ascertained[.]"

14   Exh. A, attached hereto at 3. Moreover, where there are less intrusive ways to achieve the

15   same "legitimate" purpose—*e.g.,* by filing a UDRP proceeding—disclosure by the data

16   controller will never be "necessary" under the GDPR's balancing test. ***Accordingly,***

17   ***Defendants are <u>prohibited</u> under the GDPR from disclosing their customer data upon***

18

19   _____

20   [6] Plaintiffs suggest that because WhoisGuard privacy services were also offered to customers
     pre-GDPR that somehow renders these services illegitimate, but the privacy services were

21   deemed to be "indisputably legal" by the courts even pre-GDPR. *See Solid Host,* 652 F.
     Supp. 2d at 110.

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23   [7] Namecheap requests that the Court take judicial notice of the European Commission's
     Comments on the Temp. Spec. attached hereto as Exhibit "A". This document was created

24   by the European Commission (the executive branch of the EU) and is publicly available on
     ICANN's   website   at   <https://mm.icann.org/pipermail/comments-epdp-recs-

25   04mar19/attachments/20190417/6f0a65b2/CommentsontheTemporarySpecificationforgTL
     DRegistrationDataPolicyRecommendations-0001.pdf>.   As such, it is appropriate for

26   judicial notice. *See Gerritsen v. Warner Bros. Ent. Inc.*, 112 F. Supp.3d 1011, 1033 (courts

27   can take judicial notice of government documents available from reliable sources on the

28   internet); Fed. R. Evid. 201(b)(2).

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1   *demand as Plaintiffs request.[8]* The Court should reject Plaintiffs' improper attempt to create

2   a backdoor to the GDPR.

3   Further, contrary to Plaintiffs' argument, Defendants' position to Plaintiffs that they

4   would not disclose customer data without a court order is consistent with the Temp. Spec.

5   *See* Dkt. # 27-2 at 26, § 4.2 (registries must, in certain cases, provide reasonable access to

6   data to third party "court order of a relevant court of competent jurisdiction concerning the

7   GDPR"). Their position also complies with U.S. law. *See Rosen v. Imagevenue.com,* No.

8   CV 13-01742 SJO (MANx), 2013 WL 12132052, *5 (C.D. Cal. Nov. 26, 2013)) ("Privacy

9   services companies should not be required to determine whether its clients are infringing on

10 threat of contributory liability."); *Lockheed Martin Corp. v. Network Solutions, Inc*., 141 F.

11 Supp. 2d 648, 655 (N.D. Tex. 2001). (registrars could not function "if they had to become

12 entangled in, and bear the expense of, disputes regarding the right of a registrant to use a

13 particular domain name.").

14   Thus, Plaintiffs' arguments that Defendants were required to disclose their

15 customers' data lack merit. If Defendants were to comply with Plaintiffs' disclosure

16 demands, they could be subjected to severe penalties under the GDPR. *See* Mot. at 12-13.

17   **B.   Plaintiffs' Trademark Infringement and Dilution Claims Fail as a Matter**

18   **of Law**

19   *1.   Plaintiffs Fail to Allege that Defendants Used the Marks in Commerce*

20   As noted above, Plaintiffs concede that WhoisGuard never "used" Plaintiffs' marks.

21 Plaintiffs argue in their Opposition that Namecheap used Plaintiffs' marks in commerce by

22 using the Infringing Domains to set up advertising parked pages. Again, however, Plaintiffs

23 never alleged this in the Complaint. Furthermore, contrary to Plaintiffs' brand-new theory,

24 the Complaint's trademark infringement and dilution claims state that the "***Licensees*** have

25 used Plaintiffs' Trademarks," that the acts of the "***Licensees*** constitute trademark and service

26 _____

27 [8] Moreover, even if Plaintiffs could pass the balancing test (and they cannot), neither the
    GDPR nor the Temp. Spec. creates any duty for Defendants to disclose their customer's
28 information. The Temp Spec. only requires "reasonable access" to such data if the test is
    met. *See* Dkt. # 27-2. In any event, the GDPR is the law and it, not the Temp. Spec., controls.

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1 mark infringement" or "dilution," that "*Licensees* have unfairly profited from" the

2 trademark infringement/dilution; and that Plaintiffs' suffered damages due to the "*Licensees*

3 acts."   *See* Complaint, ¶¶ 127-130, 137-140, 147-150 (emphasis added).   Simply put,

4 Plaintiffs allege that the Licensees used their marks, not Namecheap or WhoisGuard.

5 <div align="center">2. <u>*WhoisGuard Is Not Liable for the Wrongful Acts of its Licensees*</u></div>

6 Plaintiffs' entire basis for liability against Defendants for their trademark

7 infringement and dilution claims is that WhoisGuard agreed to accept liability "for the harm

8 to Plaintiffs' cause by the Licensees' use of the Infringing Domain Names" because

9 Defendants "did not disclose the names of the Licensees in response to Plaintiffs' Notices,"

10 *See* Complaint, ¶¶ 131-132, 141-142, 151-152. This theory of liability fails as a matter of

11 law. Moreover, Plaintiffs cannot correct this deficiency with amendment.

12   (a)   <u>The novel legal theory of liability proposed by Plaintiffs is not

13   supported by law</u>

14 As a preliminary matter, Plaintiffs' theory that a defendant who *did not* commit any

15 infringing acts, either directly or contributorily, can be held liable for infringement based

16 entirely upon acceptance of liability pursuant to an agreement to which the trademark holder

17 bringing suit is not a party, is completely unprecedented. Even if Plaintiffs are seeking to

18 enforce the contractual provision regarding acceptance of liability as a third-party

19 beneficiary to the Namecheap Domain Registration Agreement, the best they could do is sue

20 for breach of contract as a third party beneficiary, not bring a claim against Defendants under

21 the Lanham Act seeking to hold them liable for infringement by others.

22 Plaintiffs have not cited to *a single case* that would support such a novel legal theory

23 or basis for liability. Nor would they be able to. It would otherwise be equivalent to a person

24 agreeing to accept punishment for a crime he or she, the prosecutor, jury, and judge all agree

25 was committed entirely by someone else, without the person's involvement in the bad acts.

26 That simply would not be legally permissible. Accordingly, Plaintiffs' claims for trademark

27 infringement and dilution are fatally flawed as a matter of law.

28   (b)   <u>WhoisGuard did not agree to accept liability for the Licensees'

                                             acts of infringement</u>

<div align="center">13</div>

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1   Plaintiffs argue that WhoisGuard as the Registered Name Holder of the Infringing

2 Domains, entered into the Domain Registration Agreement with Namecheap, and that under

3 the RAA, Namecheap is required to include certain provisions in its Registration Agreement.

4 This includes a provision that the Registered Name Holder licensing use of its domain will

5 accept liability for harm caused by a licensee, if it does not disclose the current contact

6 information of the licensee to a party requesting the same after receiving evidence of

7 actionable harm. *See* Dkt. # 32-2, Exh. C.[9]

8   Namecheap disputes that WhoisGuard is a party to Namecheap's Registration

9 Agreement, as it is the customer who first submits his application for registration of a domain

10 with Namecheap and subsequently at check-out (or even any time after registration of the

11 domain) opts for the WhoisGuard privacy service. Further, Namecheap's WHOIS Proxy

12 Agreement, which sets forth Namecheap's terms regarding its customers' use of the

13 WhoisGuard service, is a ***supplement*** to the Registration Agreement, not the other way

14 around. *See* Complaint, Exh. 2, ¶ 1.

15   However, assuming *arguendo*, that WhoisGuard is a party to Namecheap's

16 Registration Agreement as the Registered Name Holder, WhoisGuard still did not agree to

17 accept liability for the alleged infringing acts of the Licensees. Plaintiffs allege that

18 WhoisGuard's privacy services are offered to Namecheap customers as part of Namecheap's

19 registration services. Complaint, ¶¶ 60-61. Plaintiffs also allege that WhoisGuard registers

20 the domains of Namecheap customers selecting this service in its own name and licenses the

21 use of the domains to these customers, who Plaintiffs define as the "Licensees". Complaint,

22 ¶¶ 5. 52. As noted by Plaintiffs, the Domain Registration Agreement defines "you" and

23 "your" to include "you or any agent, employee, servant or person authorized to act on your

24 behalf, ***and*** the registrant listed in the WHOIS contact information for the domain name."

25 *Id*. at Exh. 1 (emphasis added). This means the Registration Agreement necessarily includes

26

27

28 [9] While Plaintiffs did not cite to this specific provision in Namecheap's rules and policies
associated with the Domain Registration Agreement or attach it to the Complaint, they now
attach it as an exhibit via a declaration submitted in support of their Opposition.

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1 the Licensees (*i.e.*, customers) who paid for Namecheap's registration services and selected

2 WhoisGuard's privacy services.

3   The section of Namecheap's Registration Agreement incorporating provisions

4 required to be included by the RAA states:

5   Sometimes a Registered Name Holder may register a domain
           name and then allow another person to use the domain name
6   (such as a website designer registering a domain name for a
           client). If this happens, ***and the person actually using the***
7   ***name did not enter into the Registrar/Registered Name***
           Holder Agreement (referred to as a "third party" in
8   ***the RAA),*** the Registered Name Holder could be accountable
9   for wrongful use of the domain name by the third party. This
           will happen if the Registered Name Holder is provided with
10   "reasonable evidence of actionable harm" from the third
           party's use of the domain name. In that situation the Registered
11   Name Holder will "accept liability for harm caused by
12   wrongful use of the Registered Name," unless the Registered
           Name Holder discloses the user's identity and current contact
13   information.
14

15 Dkt. # 32-2, Exh. C.   Thus, per the language of Namecheap's Domain Registration

16 Agreement, and assuming as Plaintiffs allege that WhoisGuard is a party to that agreement

17 as the Registered Name Holder, WhoisGuard would only accept liability for the acts of the

18 wrongful use of a domain by its licensee, ***if*** that licensee is not a party to the Domain

19 Registration Agreement.

20   Plaintiffs allege that the Licensees are Namecheap customers using Namecheap's

21 registration services.   Complaint, ¶¶ 5, 60-61.   Plaintiffs allege that the Licensees used the

22 Infringing Domains. *See* Complaint, ¶¶ 85-87, 110, 116, 127, 137, 147.   Since the Licensees

23 used the Infringing Domains ***and***, as Namecheap's customers, entered into the Domain

24 Registration Agreement, WhoisGuard (i.e. the Registered Name Holder) is ***not*** accountable

25 and ***did not*** agree to accept liability for the harm caused by the Licensees' use of the

26 Infringing Domains pursuant to the terms of the Domain Registration Agreement.

27   To the extent Plaintiffs contend that WhoisGuard is bound by the actual language of

28 paragraph 3.7.7.3 of the RAA, or that Namecheap was required to incorporate that identical

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1 language in its Registration Agreement, this argument is a non-starter. The court in *Balsam*

2 *v. Tucows* held that (1) the RAA is between Namecheap and ICANN only, not the Registered

3 Name Holder, (2) the RAA does not confer a right or benefit to any party or third party, and

4 (3) the RAA expressly contains a "No Third Party Beneficiary" clause that precludes third

5 parties from successfully suing to enforce the RAA. 627 F. 3d 1158, 1162-1163 (9th Cir.

6 2010). As such, WhoisGuard, and by extension Namecheap as its alleged alter ego, cannot

7 be deemed to have accepted liability to Plaintiffs for the wrongful acts of its Licensees under

8 the Domain Registration Agreement.

9   **C.   Plaintiffs Cannot Establish Liability for Namecheap under a Direct**

10   **Participant Liability Theory**

11   Plaintiffs argue that Namecheap is liable for WhoisGuard's acts under a theory of

12 direct participation liability. However, this theory of liability is strictly limited to parent

13 companies and their subsidiaries. Direct participant liability, where recognized, "makes the

14 *parent* liable for a *subsidiary's* tortious conduct by virtue of eccentric or wrongful control,

15 which requires a showing of undue interference or egregious participation in the normal day-

16 to-day affairs of the subsidiary company." *Martinez v. E.I. DuPont De Nemours and Co.,*

17 *Inc.*, 82 A.3d 1, 9 (Del. Sup. 2012) (emphasis added); *see also Allen v. Amer. Cap. Ltd.*, 287

18 F. Supp.3d 763, 806 (D. Ariz. 2017) ("A parent company can be liable for a subsidiary's

19 acts…").   Plaintiffs do not allege, and cannot credibly allege, that WhoisGuard is

20 Namecheap's subsidiary. Therefore, Namecheap cannot be liable under this theory.

21   **D.   Plaintiffs Do Not Request, and Should Not Be Granted, Leave to Amend**

22   Plaintiffs do not request leave to amend should the Court grant Namecheap's Motion.

23 It is appropriate for the Court to dismiss this action without leave to amend where

24 amendment would be futile. *See Kendall v. Visa U.S.A., Inc.,* 518 F.3d 1042, 1051–52 (9th

25 Cir.2008) ("Dismissal without leave to amend is proper if it is clear that the complaint could

26 not be saved by amendment.") The Ninth Circuit has also held that "where a party did not

27 seek leave to amend a pleading in the lower court, [it] would not remand with instructions

28 to grant leave to amend." *See Alaska v. U.S.*, 201 F.3d 1154, 1163 (9th. Cir. 2000); *see*

Californians for Renewable Energy v. Cal. Pub. Utilities Comm'n, 401 Fed. Appx. 238, 239

16

(9th Cir. 2010) ("The district court did not err by not giving Appellants leave to amend when they did not request it."). Each of Plaintiffs' claims fail as a matter of law and cannot be cured with amendment. As such, if the Court grants the Motion, leave to amend should not be granted.

III. CONCLUSION

For all the foregoing reasons, the Court should grant Namecheap's Fed. R. Civ. P. 12(b)(6) Motion and dismiss all claims asserted against Namecheap with prejudice.

Dated: June 10, 2020

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