

UNITED STATES COURT OF APPEALS  
FOR THE FIFTH CIRCUIT

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No. 14-11157

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OFFICE OF MEDICAL AND SCIENTIFIC JUSTICE, INC.,  
Plaintiff-Appellant,

v.

JEFFERY TODD DeSHONG,  
Defendant-Appellee.

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On Appeal from a Final Judgment of the United States  
District Court for the Northern District of Texas Fort Worth Division  
No. 4:13-CV-00552-C, Hon. Sam R. Cummings

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**APPELLANT'S OPENING BRIEF  
ON APPEAL FROM DENIAL OF ATTORNEY FEES**

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December 16, 2014

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	)	
JEFFERY TODD DeSHONG,	)	
	)	
Defendant-Appellee.	)	

**CERTIFICATE OF INTERESTED PERSONS**

The undersigned counsel of record certifies that the following listed persons and entities as described in the fourth sentence of Rule 28.2.1 have an interest in the outcome of this case. These representations are made in order that the judges of this court may evaluate possible disqualification or recusal:

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## **STATEMENT REGARDING ORAL ARGUMENT**

The main issue on this appeal is whether the Supreme Court’s 2014 decision about the meaning of the phrase “exceptional cases,” which governs awards of attorney fees in the Patent Code, applies to the same phrase as it appears in the provision of the Lanham Act that provides for awards of attorney fees to prevailing parties in trademark cases, and hence overrules existing precedent in this Circuit governing awards of fees in Lanham Act cases. Determination of this question of law is likely to have significant impact on trademark litigation within the Circuit, and ought to be considered after oral argument.

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This appeal arises from a case of trademark bullying brought by a man who makes a living by claiming that HIV is unrelated to AIDS, and hence that men are doing nothing wrong when they have unprotected sex while concealing their HIV status. The HIV denialist, and the entity through which he solicits funds to propound his theories, tried to use the federal court system to suppress a blogger critical of his views. In addition to bringing claims for defamation, the plaintiffs alleged that the inclusion of the name of the “HIV Innocence Group,” in the blog domain name “HIVInnocenceGroupTruth” constituted trademark infringement. Because the trademark claims were preposterous as well as precluded by circuit precedent, the complaint was dismissed on its face. However, the trial court refused to award attorney fees against the trademark owner for bringing frivolous trademark claims because circuit precedent holds that a trademark suit is an “exceptional case” in which attorney fees can be awarded only if the prevailing defendant can prove by clear and convincing evidence that the complaint was filed in bad faith.

In *Octane Fitness v. Icon Health & Fitness*, 134 S. Ct. 1749 (2014), the Supreme Court overruled cases holding that the identically-worded attorney fees provision governing patent cases, 37 U.S.C. § 285, is limited to cases of bad faith shown by clear and convincing evidence. Instead, *Octane Fitness* held that a case is “exceptional” if it “stands out from others with respect to the substantive strength of a party’s litigating position (considering both the governing law and the facts of the

case) or the unreasonable manner in which the case was litigated.” *Octane Fitness* relied in part on a decision governing attorney fee standards in trademark cases, and this Court has previously equated the trademark and patent provisions for attorney fees. Moreover, courts in other circuits that had previously required bad faith have recognized that *Octane Fitness* overruled contrary precedent in trademark cases. Similarly, this Court should hold that its precedents are inconsistent with this intervening Supreme Court decision, and should remand for an award of attorney fees under the proper standard.

## **JURISDICTION**

The complaint purported to allege a violation of the Lanham Act, 15 U.S.C. §§ 1051 *et seq.*, and hence was within the jurisdiction of the United States District Court for the Northern District of Texas pursuant to 28 U.S.C. §§ 1331, 1337 and 1338. The trial court dismissed the Lanham Act claim with prejudice on June 26, 2014, and in the same order disclaimed supplemental jurisdiction over the complaint’s state law claims. One plaintiff appealed from the final order on June 30, 2014; that appeal has been fully briefed and is awaiting oral argument or disposition without argument. No. 14-10747. Defendant’s motion for an award of attorney fees under the Lanham Act was denied on October 21, 2014. ROA.2227-2228. The notice of this appeal was filed on October 22, 2014. ROA.2229, 2230. This Court has jurisdiction under 28

U.S.C. § 1291.

## **ISSUE PRESENTED**

Can attorney fees be awarded for the filing of a frivolous lawsuit alleging trademark infringement, that was filed to suppress criticism by a blogger and that has been dismissed on the face of the complaint, without proof by clear and convincing evidence that the plaintiff filed the action in subjective bad faith?

## **STATEMENT**

### **A. Facts<sup>1</sup>**

Plaintiff Clark Baker is an “HIV denialist”: Disputing mainstream science, he argues that evidence of HIV’s link to AIDS is too equivocal to warrant social or legal reliance, and that the various medical treatments aimed at ameliorating the effects of HIV and AIDS are a sham and a fraud. ROA.876-879, ¶¶ 7, 9, 12. Indeed, he postulates that the link between HIV and AIDS is a scientific fraud perpetrated by large pharmaceutical companies peddling expensive medications and by scientists beholden to those companies. ROA.13-15. After leaving his previous career in law

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<sup>1</sup>The statement of facts in this brief rests largely on the complaints filed below, whose contents are admissible as party admissions, as well as on defendant-appellee’s blog and other matters that are referenced in plaintiffs’ complaint and amended complaint. In the court below, defendant cited the matters not mentioned within the four corners of the complaint and authenticated them by affidavit. Defendant also submitted detailed affidavits in support of his special motion to dismiss under the Texas Citizens Participation Act (anti-SLAPP law).

enforcement, Baker reinvented himself as a private investigator, specializing in cases where defendants are accused of spreading HIV by having unprotected sex while concealing their HIV-positive status. ROA.11. He founded plaintiff Office of Medical and Scientific Justice (“OMSJ”) to help propagate his views. *Id.* OMSJ, in turn, created an “HIV Innocence Project” but, after complaints of trademark infringement from an existing group called The Innocence Project, <http://www.innocenceproject.org/>, it changed that name to HIV Innocence Group, <http://hivinnocencegrouptruth.com/2011/07/12/the-purpose-of-this-site/>, and secured a federal trademark registration for that name. ROA.878 ¶ 11. Plaintiffs’ web sites tout their many “successes” in helping defendants avoid conviction on charges of deliberately exposing sex partners to HIV. *E.g.*, <http://www.omsj.org/innocence-group>.

Defendant-appellee Jeffery Todd DeShong operates a blog about Baker’s HIV activities using the domain names [hivinnocenceprojecttruth.com](http://hivinnocenceprojecttruth.com) and [hivinnocencegrouptruth.com](http://hivinnocencegrouptruth.com) (the two blogs are largely mirror images of each other, ROA.121 ¶ 2; this brief uses the singular “blog” to refer jointly to both). ROA.16. The blog gives DeShong’s views about plaintiffs and dissects several examples of “successes” claimed by the HIV Innocence Group. ROA.131-162. Because the blog discusses plaintiffs’ work, the domain names truthfully denote the subject of the blog. *Id.*

Inspection of the blogs in the record on appeal reveals that they are entirely non-commercial: They carry no advertising, solicit no subscriptions, and provide no link for donations.

The domain name is neither identical to OMSJ's trademark nor one that would be mistakenly typed into an Internet browser by a careless Internet user trying to find plaintiffs' own web site by "name-guessing"—the need to enter the entire additional word "truth" ensures that. Moreover, from the first look at the blog, an Internet viewer would see immediately that it was not OMSJ's own web site, but rather a blog devoted to criticizing appellant. The banner at the top of the page reads,

**HIV Innocence Group Truth  
Truthfully Deconstructing The HIV Innocence Group**

and each of the articles on the blog directly criticizes OMSJ and its principal, plaintiff Baker. Although OMSJ tried in the lower court to make an issue of the appearance of search engine results, mentioning them in its own affidavit, ROA.1309-1310, the search engine results that were authenticated for the record below show that OMSJ's own web site is the **first** search engine result for the search string "hiv innocence," and that DeShong's site shows up next, either with the title "Why the HIV Innocence Project is sick and evil bullshit," ROA.205, or with the milder "HIV Innocence Group Truth – Truthfully Deconstructing the HIV Innocence Group." ROA.207. In either

case, no rational Internet user viewing search engine results is likely to be confused about whether clicking the search result for DeShong's site will take him to a site sponsored by or affiliated with the owner of the "HIV Innocence Group" mark.

Nevertheless, OMSJ brought a proceeding under the Uniform Domain Name Dispute-Resolution Policy ("UDRP"), contending that DeShong's domain names infringed its trademark in "HIV Innocence Group." ROA.896 ¶ 23. Even though UDRP proceedings are notoriously favorable to trademark holders, *e.g.*, Geist, *Fundamentally Fair.com: An Update on Bias Allegations and the ICANN UDRP* (2002), <http://aix1.uottawa.ca/~geist/fairupdate.pdf>, the UDRP panelist found no trademark infringement. To the contrary, the panelist entered the UDRP equivalent of a finding that the UDRP complaint had been brought in bad faith, ruling that OMSJ sought to seize the names even though it knew that they were used lawfully to post criticisms of the trademark holder. <http://domains.adrforum.com/domains/decisions/1486064.htm>.

Over the past few years, Baker has proclaimed his desire to find the right litigation vehicle to force Robert Gallo, a leading biomedical researcher who helped discover the role of HIV in producing AIDS, and Tony Fauci, the director of the National Institute of Allergy and Infectious Diseases and a leader of the research efforts that devised strategies to head off AIDS by dealing with HIV infections, to



appear for depositions at which an attorney under Baker's direction could force them to address Baker's questions. ROA.923-924. However, he lamented the fact that his efforts to enforce state-court deposition subpoenas for this purpose had come to naught, and he promised that the next such subpoenas would be issued by a federal court. ROA.924 ¶ 4. Indeed, Baker specifically warned DeShong that Baker was going to sue him in federal court for this reason. *Id.* ¶ 5. All of this evidence of plaintiffs' motivations for bring this lawsuit was undisputed.<sup>2</sup> Thus, although Baker filed this action for defamation, he tried to turn it into a federal case that would warrant such intrusive discovery by filing suit on precisely the same trademark claim that had already been found improper by the UDRP panelist.

## **B. Proceedings Below**

On July 9, 2013, Baker and OMSJ sued DeShong in the United States District Court for the Northern District of Texas alleging claims for defamation, business disparagement, and trademark infringement under the Lanham Act and the Texas Business and Commerce Code. The complaint was larded with allegations about the plaintiffs' pseudo-scientific theories, about the evil conspiracy perpetrated by large

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<sup>2</sup>Below, there was disputed evidence below that plaintiffs' counsel, Mr. Weitz, made statements to one of DeShong's attorneys suggesting that he planned to help the plaintiffs use discovery as a vehicle to pursue their conspiracy theories. *Compare* ROA.2082-2083 *with* ROA.2120-2122.

pharmaceutical companies and the medical establishment that have supposedly foisted the myth of HIV on the public, and about DeShong's perfidious support for the scientific establishment. ROA.11-16.

But the allegations in support of the trademark claims were strikingly sparse. The infringement claim was based on the fact that the federally registered "HIV Innocence Group" forms a significant part of the domain name "hivinnocencegrouptruth.com" and about half of the domain name "hivinnocenceprojecttruth.com." But the complaint never alleged that the domain name was used in connection with the sale or advertising of goods and services, only that DeShong is trying to destroy plaintiffs' business (based on an apparent misunderstanding of the meaning of the word "deconstruct"). ROA.18 ¶ 16(a). Moreover, although the phrases "likelihood of confusion" and "actual confusion" are strewn about in the complaint (ten and four times, respectively), along with many conclusory references to the word "infringement" (ten repetitions), the word "confusion" (thrice) and the phrase "actual confusion" (four times), the complaint **never once** alleges a likelihood of confusion about the source, sponsorship or affiliation of DeShong's web site. Instead, the complaint alleged that members of the public might be confused by DeShong's derogatory statements into believing that Baker and OMSJ were knaves or fools. ROA.18-19 ¶ 16.

DeShong moved to strike the state-law claims under the Texas anti-SLAPP statute and submitted affidavits and exhibits in support of that motion. He also moved to dismiss the federal trademark claims under Rule 12(b)(6), relying only on the face of the complaint and the limited materials that had been referenced in the complaint and thus were properly before the trial court on a Rule 12 motion, including his blog, OMSJ's own web site, and the UDRP decision. The brief in support of the motion identified several irremediable flaws in the complaint's Lanham Act claims:

**First**, the complaint did not allege that DeShong had made use of the two domain names in connection with the sale or advertising of goods and services; indeed, inspection of the blog reveals that the names were used only for a web site that set forth information about the plaintiffs, along with expressions of DeShong's adverse opinions about plaintiffs. In this respect, the complaint as pleaded ran afoul of cases previously decided by the Fifth Circuit and elsewhere holding that Internet commentary sites are not vulnerable to challenge under the trademark laws so long as they are strictly noncommercial. ROA.56-61, *citing TMI v. Maxwell*, 368 F.3d 433 (5th Cir. 2004), *et al.*

**Second**, although the word "confusion" and the phrase "likelihood of confusion" were sprinkled around the complaint in several different

paragraphs, ¶¶ 15, 16, 18(c), 19, ROA.16-20, 21, 22, the complaint never alleged that the domain names and accompanying web sites posed any danger of creating confusion about the **source** of DeShong's blog—that is, they did not create any risk that viewers of the blog would think that plaintiffs were the authors or sponsors of DeShong's web site. Indeed, inspection of the blog clearly shows that it is so adverse to plaintiffs that no Internet user in his right mind could think that plaintiffs were sponsoring it. ROA.66-68.

**Third**, a raft of appellate cases from other circuits hold that domain names for commentary sites may incorporate the trademarked name of the subject of the commentary so long as the web site itself is non-confusing. ROA.66.

**Fourth**, given the expressive nature of DeShong's web site, the complaint's infringement allegations did not meet the special irrelevance test originated by the Second Circuit in *Rogers v. Grimaldi*, 875 F.2d 994 (1989), and specifically endorsed by this Court in *Westchester Media v. PRL USA Holdings*, 214 F.3d 658, 664 (5th Cir. 2000), and by other courts of appeals. ROA.70-71.

**Fifth**, DeShong's truthful use of the trademarked name to identify the blog as being about the holder of the trademarked name meant that the domain

name is fair use. ROA.71-73.

**Sixth**, another affirmative defense disclosed on the face of the complaint was that DeShong's truthful use of the trademarked name to identify the blog as being about the holder of the trademarked name meant that the domain name was protected by the First Amendment against government action (such as the order of a court) that could either penalize the use or enjoin further use. ROA.55-57.

In response to the motion to dismiss, the plaintiffs sought leave to file an amended complaint; the trial court granted leave and denied the motion to dismiss on the ground that DeShong's memorandum in support of dismissal had not directly addressed the allegations of the complaint as amended. DeShong renewed his motion to dismiss, showing that the amendments had neither addressed the failure to allege likelihood of confusion about source, affiliation or sponsorship, nor the failure to allege that the use of a trademarked phrase in DeShong's domain names was in connection with the advertising of goods or services, or that the speech fostered by the challenged domain names was commercial. The new allegations included that DeShong had some unknown relationship with famed scientist Robert Gallo, that DeShong's blog had the potential to harm plaintiffs' business, and that there were

commercial links on some pages linked from DeShong's blogs. ROA.886 ¶ 17.<sup>3</sup>

DeShong argued that the new allegations did not render DeShong's speech commercial, or make his blog and domain names subject to the Lanham Act. While the motion to dismiss was pending, plaintiffs issued discovery requests that included efforts to force DeShong to disclose his personal finances and to disclose any communications DeShong might have had with a variety of the established figures of AIDS research, including Dr. Gallo, who are the bêtes noires of Baker's conspiracy theories. ROA.943-944. DeShong sought a protective order, quoting statements from Baker that his reason for suing DeShong was to create a vehicle to obtain judicial process to make Dr. Gallo answer his questions in a deposition. ROA.923-924. The trial court granted a protective order, ROA.952, and ultimately dismissed the complaint. ROA.1960-1972.

The court declined to reach the First Amendment issues because the Lanham Act itself disposed of the claims. ROA.1962. It began its analysis of the statute by recognizing that it is not any confusion makes out a Lanham Act infringement claim: the plaintiff must allege "likelihood of confusion in the minds of potential [OMSJ]

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<sup>3</sup>The amended complaint withdrew the state-law infringement claim and substituted a state-law dilution claim. No fees are sought in this appeal based on the voluntary dismissal of the state infringement claims or eventual judicial dismissal of the state dilution claims.

clients as to the course, affiliation or sponsorship of DeShong's web site. " ROA.1961. The court organized its discussion of that issue around an analysis of the familiar multi-factor test enunciated in *Elvis Presley Enters. v. Capece*, 141 F.3d 188, 194 (5th Cir. 1998); ROA.1963-1964; in the course of its discussion, the court accepted the various independent grounds that DeShong had offered for dismissing the trademark counts.

Thus, in discussing the similarity between the domain name and the marks, Judge Cummings acknowledged that the domain name included Baker's mark, but noted that the addition of the word "truth" showed that the web site is not sponsored by OMSJ, and "even more important" the web site itself does not look like OMSJ's own site. Moreover, the web site was not the advertising for a business, but was created as a forum for criticizing OMSJ. ROA.1964. Nor did the parties offer similar services: OMSJ offers a service of investigating HIV-related crimes, while DeShong was trying "to criticize Baker, not steal his clients." *Id.* Indeed, the web site does not advertise a business at all. In this regard, the district judge cited the case that first recognized the defense of nominative fair use. *Id.*, citing *New Kids on the Block v. News America Pub.*, 971 F.2d 302 (9th Cir. 1992).

The judge next ruled that DeShong's alleged intent to destroy OMSJ's business was not the sort of "bad intent" that supports a finding of likelihood of confusion;

rather, the “intent” that supports a claim of infringement must be “an attempt to piggyback off the goodwill of . . . The Innocence Group mark.” ROA.1965. Then the court addressed and rejected OMSJ’s contention that actual confusion had been pleaded. The Court said that OMSJ would have had to plead that a potential client is “confused as to the **source** of the web site, which is the only kind of confusion with which the Lanham Act is concerned.” ROA.1965-1966 (emphasis in original). The complaint, however, pleads only that Internet users “are often confused by . . . the information contained [in DeShong’s site],” ROA.1965, quoting ROA.888 ¶ 18, and that is not sufficient to support a claim for infringement.

Finally, the trial judge rejected OMSJ’s contention that it had adequately pleaded initial interest confusion, because, in the context of a claim about a domain name, an initial interest confusion allegation can be adjudicated only in the context of the web site for which the domain name was used. ROA.1966, *citing Lamparello v. Falwell*, 420 F.3d 309 (4th Cir. 2005). Indeed, the court said, initial interest confusion can be found only “in cases involving a factor absent here—one business’s use of another’s mark for its own financial gain.” ROA.1967. “When an alleged infringer does not compete with the markholder for sales, ‘some initial interest confusion will not likely facilitate free riding on the goodwill of another mark.’” *Id.*, quoting *Checkpoint Sys. v. Checkpoint Software Techs.*, 269 F.3d 270, 296-297 (3d



Cir. 2001). Moreover, “[a]pplying the initial interest confusion theory to gripe sites like DeShong’s would enable the markholder to insulate himself from criticism—or at least to minimize access to it. Such use of the Lanham Act is condemnable . . . .” ROA.1968. Because the complaint did not allege that DeShong’s web site was confusing about source, and because there was no pleading that DeShong derived financial gain from the use of the mark in the domain name, the references to initial interest confusion did not save the complaint from dismissal.

The court thus dismissed the Lanham Act claim, *id.*, and declined to exercise pendent jurisdiction over the state-law claims. ROA.1971.

DeShong moved for an award of fees for the filing of frivolous trademark claims under the Lanham Act, acknowledging in his papers that circuit precedent holds that trademark claims can only be deemed “exceptional,” and hence a proper basis for awarding fees, only if the complaint is brought in bad faith and even then only if there is “clear and convincing evidence” of the bad faith. DeShong argued that the trial court award fees based on the groundlessness of the lawsuit alone, as well as based on evidence of improper purpose and improper litigation conduct, in light of the intervening decision of the Supreme Court in *Octane Fitness*. RA.1999-2001. The trial court rejected this fee claim, however, following existing Fifth Circuit

precedent on the Lanham Act's fee provision. RA.2228.<sup>4</sup>

OMSJ has appealed from the judgment of dismissal, confining its arguments to the dismissal of the Lanham Act claim; that appeal has been fully briefed in Appeal No. 14-10747. This appeal seeks review of the denial of attorney fees under the Lanham Act only; no fees are sought under the Texas Citizens Participation Act.

### **SUMMARY OF ARGUMENT**

The district court denied defendant's motion for an award of attorney fees solely on the ground that defendant had not met the very high test for deeming trademark litigation an "exceptional case" that has been the rule in the Fifth Circuit — the prevailing party seeking an award of attorney fees must show, by clear and convincing evidence, that the losing party proceeded in bad faith. However, the Supreme Court decided, in the 2014 *Octane Fitness* case, that the identical term appearing in the patent code does not require either bad faith nor clear and convincing evidence, but rather can be found **either** when the losing party's position was

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<sup>4</sup>DeShong also sought an award of fees for the dismissal of the state-law claims on the ground that, even though the claims had been dismissed without prejudice, the statute of limitations for re-filing in state court and the statute of limitations tolling period had expired, and hence the mandatory fee provisions of the Texas Citizens Participation Act, which require an award of fees when state-law claims have been dismissed either by the court or by voluntary dismissal after the filing of an anti-SLAPP motion, had come into play. Judge Cummings rejected this motion as well, holding that dismissal without prejudice for lack of jurisdiction was not a proper basis for awarding fees on the state-law claims.

sufficiently groundless or when the manner in which the losing party conducted the litigation was unreasonable. Because of the language of the Lanham Act and Patent Code attorney provisions is identical, because the legislative history and judicial treatment of the two provisions shows them to be closely related, and because *Octane Fitness* itself relied on a trademark decision in construing the Patent Code fees provision, this Court should join other courts in holding that *Octane Fitness* overruled circuit precedent governing attorney fees in Lanham Act cases.

Moreover, because the Court has before it, in a separate appeal by the judgment loser from the dismissal of its trademark claim, the merits of the trademark claim, it would be most efficient for this Court to make the determination in the first instance that the lawsuit was groundless and hence exceptional for that reason alone. The fact that the trademark claim here was brought against a purely expressive use of the trademark supports awarding fees on groundlessness alone. In the alternative, the Court should remand the fee question to the trial court to make a determination about whether the unreasonableness of the plaintiff's conduct litigation, when added to the case's sheer groundlessness, supports an award of attorney fees in this case.

#### **STANDARD OF REVIEW**

Because this appeal argues that the trial court used the wrong legal standard, review is de novo. *City of Alexandria v. Brown*, 740 F.3d 339, 350 (5th Cir. 2014).

## ARGUMENT

### **I. The Court Should Adopt the Supreme Court’s *Octane Fitness* Standard for Deciding Whether A Lanham Act Lawsuit Presents an “Exceptional Case” Meriting the Award of Attorney Fees.**

Since at least 1992, the Fifth Circuit has required a showing of bad faith by clear and convincing evidence before a Lanham Act case can be found “exceptional” and hence subject to an award of attorney fees to the prevailing party. *CJC Holdings v. Wright & Lato*, 979 F.2d 60, 65 & n. 2 (5th Cir.1992). *CJC Holdings* involved both patent and trademark infringement, and as the Court recognized in *Pebble Beach Co. v. Tour 18 I Ltd.*, 155 F.3d 526, 556 (5th Cir.1998), *CJC Holdings*’ adoption of the twin requirements of “bad faith” and “clear and convincing evidence” was drawn from precedents of the Federal Circuit in such patent cases as *Gustafson, Inc. v. Intersystems Indus. Prods.*, 897 F.2d 508, 511 (Fed. Cir. 1990). Although three other circuits similarly required a finding of bad faith before a trademark case can be deemed “exceptional,” hence authorizing an award of attorney fees, *e.g.*, *Louis Vuitton Melletier v. LY USA*, 676 F.3d 83, 111 (2d Cir. 2012); *Lipscher v. LRP Publications*, 266 F.3d 1305, 1320 (11th Cir. 2001); *Ferrero U.S.A. v. Ozak Trading*, 952 F.2d 44, 48 (3d Cir. 1991), none of those courts demands clear and convincing evidence of bad faith.

Moreover, most circuits apply much broader standards for fees under the

Lanham Act, allowing fees when there is “something less than bad faith,” *Ji v. Bose Corp.*, 626 F.3d 116, 129 (1st Cir. 2010); in most circuits a prevailing defendant can be awarded fees when the plaintiff’s suit meets one of four criteria: “groundless, unreasonable, vexatious, **or** pursued in bad faith.” *E.g., B&B Hardware v. Hartgis Indus.*, 716 F.3d 1020, 1027 (8th Cir. 2013), *cert. granted on other grounds*, 134 S. Ct. 2899 (2014); *Cairns v. Franklin Mint Co.*, 292 F.3d 1139, 1156 (9th Cir. 2002); *see also King v. PA Consulting Grp.*, 485 F.3d 577, 592 (10th Cir. 2007) (standard involves consideration of “(1) its lack of any foundation, (2) the plaintiff’s bad faith in bringing the suit, (3) the unusually vexatious and oppressive manner in which it is prosecuted, or (4) perhaps for other reasons as well”) *See generally Nightingale Home Healthcare v. Anodyne Therapy*, 626 F.3d 958, 960-962 (7th Cir. 2010) (analyzing standards followed in every circuit). Indeed, the Ninth Circuit, in a case similar to this one where a manufacturer misused trademark law to try to suppress an artist whose work parodied its trademarked “Barbie” doll, held that the groundlessness of the plaintiff’s infringement claim shown by its dismissal on summary judgment could form a sufficient basis for holding that the case was “exceptional.” *Mattel, Inc. v. Walking Mountain Prods.*, 353 F.3d 792, 816 (9th Cir. 2003)

However, the Supreme Court recently overruled the Federal Circuit’s bad faith

/ clear and convincing evidence standard for deciding whether a patent lawsuit was “exceptional.” The case was presented to the Supreme Court as an example of the problem of so-called patent trolls, who obtain patents more for the purpose of exploiting the patents by threatening litigation than for use in industry, *Petition for Writ of Certiorari*, No. 12-1184, at 19, 24. The Court responded with a sharp rejection of the Federal Circuit’s standard. *Octane Fitness v. Icon Health & Fitness*, 134 S. Ct. 1749 (2014). The Supreme Court recognized first that the selection of a standard turned on the proper meaning of the term “exceptional,” which means no more than “out of the ordinary course,” “unusual” or “special.” *Id.* at 1756. And it repeatedly relied on cases about attorney fees under other intellectual property statutes, including both *Fogerty v. Fantasy, Inc.*, 510 U.S. 517 (1994), a copyright decision, and *Noxell Corp. v. Firehouse No. 1 Bar-B-Que Restaurant*, 771 F.2d 521 (D.C. Cir. 1985), a case where, in an opinion by then-Judge Ginsburg joined by then-Judge Scalia, the D.C. Circuit was, as the Supreme Court explained, “interpreting the term ‘exceptional’ in the Lanham Act’s identical fee-shifting provision . . . to mean ‘uncommon or ‘not run-of-the-mill.’” 134 S. Ct. at 1756. The Court also rejected the “bad faith” standard because it would simply duplicate the power to award attorney fees under the bad faith exception to the American rule that the parties to litigation ordinarily pay their own fees. *Id.* at 1758.

Consequently, the Court held,

an “exceptional” case is simply one that stands out from others with respect to the substantive strength of a party’s litigating position (considering both the governing law and the facts of the case) **or** the unreasonable manner in which the case was litigated.

*Id.* (emphasis added)

Similarly, the Supreme Court said, the Federal Circuit’s requirement of “clear and convincing evidence” could not be defended because “comparable fee-shifting statutes” had not been held to that standard, and nothing in the language of the patent code’s attorney fee provision “justifies such a high standard of proof.” *Id.* at 1758. Just as the merits of patent litigation has always been governed by a preponderance of the evidence standard, the Court held, that same standard applies to the fee application stage of the case. *Id.*

Since *Octane Fitness* was decided, a panel of the Third Circuit has held that that Court’s prior “bad faith” requirement for attorney fees in the Lanham Act had implicitly been overruled, because *Octane Fitness* “controls our interpretation of § 35(a) of the Lanham Act.” *Fair Wind Sailing v. Dempster*, 764 F.3d 303, 314 (3d Cir. 2014). The Court noted that the “exceptional case” language of the Patent and Lanham Acts was identical, that the legislative history of the Lanham Act’s attorney fees provision had referred to the Patent Code’s fees provision, and that previous

Third Circuit panels had looked to patent cases in construing the attorney fees provision of the Lanham Act. Accordingly “a district court may find a case ‘exceptional,’ and therefore award fees to the prevailing party, when (a) there is an unusual discrepancy in the merits of the positions taken by the parties or (b) the losing party has litigated the case in an ‘unreasonable manner.’” *Id.* at 315. A district court in the Eleventh Circuit has similarly held that it was required to disregard existing Eleventh Circuit precedent setting a bad faith standard for fees in Lanham Act cases because the Supreme Court relied in part on the D.C. Circuit’s Lanham Act decision in *Noxell* in light of the fact that the text of the provision for fees in the two statutes is identical. *BMW of North America v. Cuhadar*, 2014 WL 5420133 (M.D. Fla. July 10, 2014) at \*2. This Court should, likewise, follow *Octane Fitness* instead of circuit precedent that was implicitly overruled in *Octane Fitness*.

This Court should join the Third Circuit not only to avoid a conflict in the circuits but also because the reasoning of the Third Circuit is sound. The “exceptional cases” standard was first adopted by Congress to govern fees in the Patent Code as part of the 1952 general revision of the patent laws. Senate Report No. 82-1979, 82nd Cong., 2nd Sess., 1952 U.S.C.C.A.N. 2394, 2423 (1952). In 1974, that phrase was imported into the Lanham Act from the patent code, *Patent Office–Filing Oppositions*, Senate Report No. 93-1400, 93d Cong., 2d. Sess., 1974



U.S.C.C.A.N. 7132, 7135-7136 (1974), to provide express statutory authority for an equitable doctrine that had been overruled by the Supreme Court in *Fleischmann Distilling Corp. v. Maier Brewing Co.*, 386 U.S. 714 (1967). The Senate Committee recognized the need to bring the Lanham Act into line with “[t]he federal patent and copyright statutes [in] expressly provid[ing] for reasonable attorney fees,” 1974 U.S.C.C.A.N. at 7135, and said that just as plaintiffs should be protected by having fee awards available as an encouragement to enforce trademark rights when needed to “prevent[] purchaser confusion,” *id.* at 7136, allowing prevailing defendants to recover fees in exceptional cases “would provide protection against unfounded suits brought by trademark owners for harassment and the like.” *Id.*

This Court has previously treated the “exceptional cases” language in the patent and trademark laws as in pari materia, *CJC Holdings v. Wright & Lato*, 979 F.2d 60, 65 & n. 2 (5th Cir.1992), drawing from patent fees decisions to set the Fifth Circuit rule. Moreover, in *Octane Fitness*, the Supreme Court relied in part on Lanham Act authority in deciding the meaning of “exceptional cases” in the Patent Code, twice citing the D.C. Circuit’s decision in *Noxell Corp.* 134 S.Ct. at 1756, 1757. The mutual reliance on trademark authority in patent fee cases and patent authority in trademark fee cases supports the application of the Supreme Court’s standard for fees for prevailing defendants in patent cases to govern fee awards in

trademark cases.

Moreover, the need for a fee standard that prevents patent trolls from chilling innovation through meritless or abusive litigation tactics is matched in the trademark arena by the significant problem of trademark bullying—the threatening or bringing of meritless trademark claims in the hope of quashing criticism or suppressing competition of established businesses by new entrants. Two empirical studies of trademark enforcement practices have concluded that extortion and bullying has become a significant problem: a review of 7500 published decisions concluded that such litigation has become widespread, Port, *Trademark Extortion: The End of Trademark Law*, 65 Wash. & Lee L. Rev. 585 (2008), while a study based on interviews with copyright and trademark lawyers suggested a need for greater deterrent to the bringing of weak cases because “aggressive and bullying enforcement tactics can work and are sometimes part of the IP owner’s overall enforcement strategy. They are effective, in part, because many targets do not have the resources to defend a trademark or copyright claim on the legal merits in court.” Gallagher, *Trademark and Copyright Enforcement in the Shadow of IP Law*, 28 Santa Clara Computer & High Tech. L.J. 453, 487 (2012). Several commentators have proposed remedies for such abusive claims. Grinvald, *Shaming Trademark Bullies*, 2011 Wis. L. Rev. 625, 678 (2011); Greene, *Abusive Trademark Litigation and the Incredible*

*Shrinking Confusion Doctrine—Trademark Abuse in the Context of Entertainment Media and Cyberspace*, 27 Harv. J. L. & Pub. Pol’y 609 (2004). The Supreme Court has noted the need to craft legal rules that head off the danger of the “anticompetitive strike suit” in trademark litigation. *Wal-Mart Stores v. Samara Bros.*, 529 U.S. 205, 214 (2000). Applying the *Octane Fitness* standard in Lanham Act cases can be a good step in that direction.

Indeed, the Court of Appeals for the Seventh Circuit has recognized the special need for awards of attorney fees to encourage defendants in intellectual property cases to stand up for their own rights and thus, implicitly, for the public domain. *Nightingale Home Healthcare v. Anodyne Therapy*, 626 F.3d 958, 963 (7th Cir. 2010); *Woodhaven Homes & Realty v. Hotz*, 396 F.3d 822, 824 (7th Cir. 2005). The plaintiff, after all, has built-in statutory incentives to pursue claims that might lead to an award of damages, including treble damages or even statutory damages in some trademark cases, 15 U.S.C. § 1117(b), (c) & (d), but a defendant has no way of recovering damages from which attorney fees can be paid. The Seventh Circuit expressed particular concern in *Nightingale* about the misuse of the litigation process by a large, profitable business against a smaller, more vulnerable one, abusing trademark claims not to avoid consumer confusion but to drive a newer entrant out of competition with the plaintiff by impairing its competitiveness. And in

*Woodhaven*, it reasoned, “[W]ithout the prospect of such [a fee] award, [a defendant] might be forced into a nuisance settlement or deterred all together from exercising his rights.” 396 F.3d at 824.

This concern is particularly pressing in the case of a noncommercial blogger like DeShong who, the undisputed acts in the record below shows, stands to make no money out of his blog, which simply expresses his opinions as a scientist. If such a blogger has to hire a lawyer to protect his rights, paying the hundreds of thousands of dollars that is normally required for the sustained defense of a trademark claim, even one that does not go to trial, *see* AIPLA, *Report of the Economic Survey* 25 (2007), the blogger has already lost. This blogger avoided that fate because he found pro bono lawyers, but an award of attorney fees is needed to encourage other defendants to exercise their free speech rights, not to speak of giving lawyers a financial incentive to take such cases.<sup>5</sup>

Moreover, as was true of the Patent Code attorney fee provision considered in *Octane Fitness*, limiting the application of the Lanham Act’s “exceptional cases” provision to cases of clear and convincing evidence of bad faith would make the

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<sup>5</sup>The fact that DeShong’s lawyers appeared pro bono is no reason to deny a statutory award of attorney fees. *Blum v. Stenson*, 465 U.S. 886, 892, 895 n.11 (1984); *United States v. Claro*, 579 F.3d 452, 465 (5th Cir. 2009); *Jordan v. City of Greenwood, Miss.*, 808 F.2d 1114, 1117 (5th Cir. 1987).

provision superfluous. In the trademark arena as in patent law, courts' inherent power to impose sanctions for abusive litigation misconduct, and the "bad faith" exception to the American Rule, already give the federal courts authority to award attorney fees to defendants who are victimized by litigation brought or maintained in bad faith. *Dawson v. United States*, 68 F.3d 886, 895 (5th Cir. 1995); *Galveston Cnty. Nav. Dist. No. 1 v. Hopson Towing Co.*, 92 F.3d 353, 356 (5th Cir. 1996); *Schiff v. Williams*, 519 F.2d 257, 262 (5th Cir. 1975). Indeed, because this Court has suggested that objective bad faith may be sufficient basis for an award of fees under the bad faith exception, even if the plaintiff filed the case without being aware of its tenuous character, *United States v. Medica Rents Co.*, 2008 WL 3876307 (5th Cir. Aug. 19, 2008), relegating Lanham Act defendants to suits where subjective bad faith has to be proved by clear and convincing evidence would make the statute even more restrictive than the fee claims that non-Lanham Act defendants have available. This scenario provides all the more reason why the Supreme Court's construction of "exceptional cases" in patent law applies to the same language in the Lanham Act.

The reasons given by the Supreme Court in *Octane Fitness* for rejecting the "clear and convincing evidence" standard of proof also apply equally to the Lanham Act. Other fee shifting statutes do not apply such a high evidentiary standard, which in federal law is reserved for such disfavored causes of action as defamation cases

brought by public figures. And the Lanham Act, like the Patent Code, typically demands proof on the merits only under the preponderance of evidence standard. *Amazing Spaces v. Metro Mini Storage*, 608 F.3d 225, 239 (5th Cir. 2010). Indeed, the “groundlessness” of a trademark claim, which under *Octane Fitness* is alone a sufficient basis for deeming a lawsuit exceptional, is a question of law, not a question of fact, so it is hard to see how it could be judged under any evidentiary standard.

**II. OMSJ’s Trademark Claim Was Sufficiently Groundless to Warrant Treatment as an Exceptional Case, and the Evidence of Improper Motive Further Supports an Award of Attorney Fees in This Case.**

Under the *Octane Fitness* standard for determining whether a case is “exceptional” under the Lanham Act, DeShong is entitled to a fee award if **either** OMSJ’s lawsuit “stands out from others with respect to the substantive strength of a party’s litigating position (considering both the governing law and the facts of the case),” or if the case was litigated in an “unreasonable manner.” Each of these alternative prongs supports an award of attorney fees in this case.

The dismissal of this trademark action on the face of the complaint shows that it was groundless. Indeed, in a case where a trademark infringement and dilution action had been brought against a purely expressive use of the trademark for purposes of cultural commentary, the Court of Appeals for the Ninth Circuit held that it was an abuse of discretion for the trial court to deny an award of attorney fees in favor of

a defendant who defeated the trademark claim on summary judgment. The Court ruled that unreasonableness or groundlessness of the claims alone could support an award of fees, and the court remanded with instructions to decide whether the claims were “unreasonable or groundless.” *Mattel, Inc. v. Walking Mountain Prods.*, 353 F.3d 792, 816 (9th Cir. 2003). This holding is consistent with the Supreme Court's ruling in *Octane Fitness* that groundlessness of the complaint alone is a sufficient basis for finding a lawsuit “exceptional” within the meaning of the Patent Code.

Here, as in *Walking Mountain*, plaintiffs brought a nonsensical trademark claim against a purely expressive use of the “HIV Innocence” mark. OMSJ’s trademark claim never had a chance of success—not only could it not survive summary judgment, as in *Walking Mountain*, but it could not even survive a motion to dismiss on the face of the complaint, because plaintiffs did not adequately plead likelihood of confusion. OMSJ was even given an opportunity to replead to try to state a viable claim, was unable to do so. And even had the lower court found adequate pleading of the “likelihood of confusion about source” element of a trademark claim, there were, as DeShong’s brief on appeal in No. 14-10747 has shown, several alternate grounds on which dismissal was appropriate. A trademark claim case that cannot survive even the most superficial facial scrutiny is by definition “exceptional,” warranting an award of attorney fees.

Although the Court could simply remand for the trial court to address the groundlessness of the trademark claims in the first instance, the lack of merit is a legal question relating to the merits the Court must already address in deciding OMSJ's appeal from the dismissal of its Lanham Act claim. Therefore, considerations of judicial efficiency should impel the Court to decide the "groundlessness" question on DeShong's appeal and to reverse the denial of fees outright, remand with instructions to award attorney fees in an appropriate amount.

The Court need not rest its "exceptional" determination on groundlessness alone, however, because the record amply shows that the lawsuit was brought for improper purposes. For example, as noted above, the complaint never alleged likelihood of confusion about source or affiliation—the only confusion that counts in trademark law. Indeed, paragraph 18 of the Amended Complaint alleged that Internet users will experience confusion about whether OMSJ is a good or bad company because they may believe the derogatory statements that DeShong makes about Baker and OMSJ: "using OMSJ's trade name as a vehicle to disparage Plaintiffs' business reputations"; "made it possible to put his defamatory message in front of prospective OMSJ clients"; "and therefore the defamatory and misinformation they contain appear"; "[w]hen users arrive at [DeShong's] site . . . they are often confused by the infringer's URL, web site and the information



contained therein.” ROA 887-888. But, as the Court of Appeals for the First Circuit has explained, the harms that come from exposure to information about the trademark holder is not trademark injury. *Universal Communication Sys. v. Lycos*, 478 F.3d 413, 424 (1st Cir. 2007). “Trademark injury arises from an improper association between the mark and products or services marketed by others. . . . But any injury to [plaintiff] ultimately arises from its being criticized on the Raging Bull site. To premise liability on such criticism would raise serious First Amendment concerns.” *Id.* (citation omitted).

In this regard, the complaint itself revealed plaintiffs’ improper purpose. Indeed, the entire lawsuit is structured around plaintiffs’ unsupportable contention that criticism constitutes trademark injury because Internet users could be “confused” about whether the criticisms are valid. Plaintiffs’ quest to use trademark law to censor their critics showed a deliberate willingness and desire to trample over precious First Amendment freedoms.

Similarly, the undisputed extrajudicial statements by plaintiffs revealed that this case was designed as a vehicle for abusive discovery more focused on plaintiffs’ HIV-related conspiracy theories about a supposed doctors’ plot than on litigating the merits of a trademark case. *Supra* pages 6-7. There was also evidence below that plaintiffs’ counsel, when first contacted by DeShong’s local counsel for a meet-and-

confer before the filing of DeShong's initial motion to dismiss, similarly indicated that he planned to use discovery into DeShong's finances to try to show the links between DeShong and the pharmaceutical companies and others with a vested interest in discrediting Baker's, whether or not counsel could find sufficient basis to allege this other than on information and belief. RA 2082-2083 ¶¶ 3-4.<sup>6</sup> Plaintiffs' and their counsel's stated intentions were borne out by the fact that the discovery propounded by plaintiffs in supposed furtherance of their opposition to DeShong's motion to dismiss included these issues, not to speak of demanding private information such as, for example, DeShong's tax returns, Document Request No. 9, RA.943 five years of DeShong's bank records, Document Request No. 7, *id.*, email records and telephone records, Document Request Nos. 5-6 and 8, *id.*, and information about DeShong's employment, Document Request No. 16. *Id.* This discovery showed the bad-faith nature of plaintiffs' intentions. Similarly, there was absolutely no need for discovery regarding DeShong's associations within the HIV/AIDS community and regarding other individuals that host, comment, or visit web sites, RA.944-945, considering that those associations and individuals were wholly unrelated to a single claim in this litigation.

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<sup>6</sup> Baker's counsel Mark Weitz and Kristi Morgan Weitz disputed some parts of this evidence, RA 2120-2121, 2126-2127; the trial judge did not discuss the conflicting evidence in rejecting the fee application.

OMSJ never offered any justification for the discovery that was blocked by the protective order pending the outcome of the motion to dismiss. Although the trial court granted a protective order against that discovery, the very fact that such politically-oriented and personally intrusive discovery was sought shows how improper the purpose of the litigation was, and also shows plaintiffs' improper conduct of the litigation. These considerations further the conclusion that this case was "exceptional," warranting an award of attorney fees to DeShong as the prevailing party.

However, unlike the determination of groundlessness, which is a legal conclusion, the assessment of the reasonableness of plaintiffs' litigation tactics calls for the exercise of the trial court's discretion. Consequently, if this Court disagrees with our contention that groundlessness alone is a sufficient basis for awarding fees, it should remand to give Judge Cummings the opportunity to address reasonableness in the first instance.

### **CONCLUSION**

The Court should reverse the district court's order under appeal to the extent that it denied DeShong's application for an award of attorney fees under the Lanham Act. It should either reverse the denial outright and remand for an award of fees in an appropriate amount, or remand for consideration of the application for fees under

the proper standard.

Respectfully submitted,

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December 16, 2014

**CERTIFICATE OF COMPLIANCE**

My word processing software calculated that the foregoing brief contains 7916 words.

s/ Paul Alan Levy

**CERTIFICATE OF SERVICE**

I hereby certify that I am filing this brief through the Court's ECF system, which will effect service on counsel for appellee, Mark Weitz.

/s/ Paul Alan Levy

December 16, 2014