

UNITED STATES DISTRICT COURT  
FOR THE NORTHERN DISTRICT OF GEORGIA  
Atlanta Division

CHARLES SMITH,	)	
	)	
Plaintiff/Counterclaim-Defendant,	)	
	)	
v.	)	Civil Action No.
	)	1:06 CV 0526 (TCB)
WAL-MART STORES, INC.,	)	
	)	
Defendant/Counterclaim-Plaintiff.	)	

**REPLY IN SUPPORT OF  
MOTION TO EXCLUDE JACOBY TESTIMONY**

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Wal-Mart defends expert witness Jacob Jacoby's point-of-sale study (purporting to find that purchasers would be confused about whether T-shirts they were thinking about buying were from or authorized by Wal-Mart) and post-sale study (purporting to find confusion on the part of individuals who were told to imagine that the shirt was being worn by somebody standing nearby), but neither withstands scrutiny.<sup>1</sup>

**A. The Point-of-Sale Study Fails to Take Account of the Way in Which the Likely Online Buyers of Smith's Shirts Can Be Identified.**

In his Memorandum Supporting the Motion to Exclude Jacoby's Testimony ("SmithDaubert"), Smith's main argument against the point-of-sale study was that the process of shopping for T-shirts (or other items) online differs fundamentally from shopping in a physical store. In a store, the customer goes to the part of the store where the sort of merchandise is sold and looks through displayed items; once one identifies the universe of shoppers to be tested, any member of that universe is as likely as any other to reach the particular place where allegedly infringing or diluting

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<sup>1</sup>Wal-Mart takes issue with Smith's citation of rulings that chastise Jacoby's result-oriented work. Wal-Mart Opposition to Motion to Exclude Jacoby ("WM Daubert Opp.") at 3-4. We stand by our citations and urge the Court to read the cases in question. For example, in *Puritan-Bennett v. Penox*, 2004 WL 866618 (S.D. Ind. 2004), although it is true, as Wal-Mart says, that the court granted summary judgment, summary judgment was for **Penox** because Jacoby's confusion study, done for Puritan-Bennett, failed to create a genuine issue of fact about confusion. Indeed, because Jacoby is "the quintessential expert for hire," this Court should apply particularly rigorous scrutiny to his proposed testimony in deciding whether to exclude his testimony under *Daubert*. *Johnson v. Manitowoc Boom Trucks*, 484 F.3d 426, 434-435 (6th Cir. 2007).

merchandise is to be found. But in the online environment, particular items are reached by a process of search and deciding whether to click past one web page to see material displayed on the next. Internet users make choices based on whether each page (or each part of a page) is of interest in deciding whether to stay on a page, look further on a page, and click through to another page. Internet shoppers neither reach particular web sites randomly, nor progress through web sites randomly; their progress is determined by choices that are not randomly distributed across the population. Because it is universally accepted (and even Wal-Mart does not deny) that the relevant universe is the likely purchasers of the products of the junior user (in this case, Smith), the choice of the sample interviewed must take account of the unique character of online shopping, so that only those who are likely to get to the point of viewing the shirts are interviewed. In this case, the result is that only people who understand that they are on an anti-Wal-Mart web site are likely to progress far enough to reach the point of deciding whether to buy a particular T-shirt. **These** are the “likely purchasers.” SmithDaubert at 7-17.

Instead of meeting this argument, Wal-Mart’s tactic is to ignore it. Jacoby’s 61-page rebuttal affidavit (“JacAff2”) devotes ten pages to Rosenblatt’s affidavit, but says **nothing** about how Internet users interact with web sites and make choices that

determine where they go and what they see. This is unsurprising given Jacoby's admission during his deposition ("JacDep") that he had never written about or studied Internet marketing or user experience and similar issues. JacDep 30, 236. Indeed, he specifically admitted that it was "established" that he has not studied the behavior of individuals when looking at the Internet. JacDep 241-242. Instead, Jacoby addressed other points in Rosenblatt's affidavit, which are not at the heart of Smith's *Daubert* motion, although even on those points his contentions are not persuasive.<sup>2</sup>

Jacoby also seeks to recover from his inability to recall a single case in which he had studied confusion or dilution with respect to products sold exclusively online, by saying both that he just does too many studies to remember what is about what, and that he was not sure whether he had promised to keep certain studies confidential. Now, almost two months after the close of discovery, he lists for the first time nine cases where he allegedly studied "products or services sold exclusively online."

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<sup>2</sup>For example, Jacoby takes issue with Rosenblatt's averment, based on years of experience studying how Internet users interact with web sites, that material found in the first screenful of search engine results is the most likely to be viewed, and that sites that do not appear in the first ten results and hence are not shown on the first page of results "are even less likely to be seen by searchers." Jacoby's only evidence is that Jacoby himself "often" searches beyond the top ten links and he "suspect[s] that [his] search behavior is not at all atypical." JacAff2 59. This is the same witness who, during his deposition, deflected inconvenient questions by saying that an eminent social scientist like himself could not make statements about what consumers would do in given circumstances unless he tested it. *E.g.*, JacDep 50, 52, 54, 134.

JacAff2 at 3. Because Jacoby lists only case numbers and not **rulings** (his counsel only cites one opinion), Smith is unable to test this assertion, although the inclusion of *GEICO v Google* (ED Va. 2004) raises suspicion because GEICO insurance is not sold exclusively online.

Similarly, Wal-Mart's brief completely ignores the problem that web site navigation introduces non-random selection of users because navigation is the result of choices based on what the user sees on each screenful of web site. Instead of addressing the issue, Wal-Mart repeatedly says that it is "irrelevant," WM Daubert Opp. at 10, or that the distinction between online and physical store sales is "without a difference." *Id.* at 5 n.2. It also argues that, in cases involving sales in physical stores, a proper universe includes all those who are in the market for the "general category of goods, via the same general retail channels." *Id.* at 10-12. But, having failed to acknowledge (or rebut) that Internet shopping is different, Wal-Mart cannot argue that this precedent from studies of goods and services sold offline is applicable to the online context. Put another way, because, as Wal-Mart admits, "the appropriate universe should include a **fair sampling** of those purchasers **most likely to partake of** the alleged infringer's goods or services," *id.* at 8 (quoting *Amstar Corp. v. Domino's Pizza*, 615 F.2d 252, 264 (5th Cir. 1980) (emphasis added), Wal-Mart's

failure to show that Rosenblatt is wrong in arguing that it is a non-random subset of the universe Jacoby chose that would be “most likely to partake” of Smith’s shirts defeats Wal-Mart’s defense of Jacoby’s point-of-sale study.

Finally, Wal-Mart points to authority for the proposition that an unduly narrow universe can also undermine a study’s value. WM Daubert Opp. at 9. That proposition is correct, but Wal-Mart’s case, *Scott Fetzer Co. v. House of Vacuums*, 381 F.3d 477 (5th Cir. 2004), rejected a study because the universe studied were purchasers of the markholder’s product, rather than those “most likely to partake of” the alleged infringer’s product. *Fetzer* reinforces the flaws in Jacoby’s point-of-sale study, which should be rejected regardless of what the Court decides about the post-purchase study. Here, the “likely purchasers” of Smith’s shirts are those who, as a result of web navigation choices, would likely remain on Smith’s anti-Wal-Mart sites, click through to the CafePress account home pages, and then move on to see particular shirts. That universe is not “unduly narrow.”

**B. Both of Jacoby’s Studies Were Flawed.**

Wal-Mart’s brief also fails to offer a persuasive defense of the other flaws in Jacoby’s study, which infect both the point-of-sale and post-purchase studies.

**1. Breach of Double Blind Conditions.** First, although the caption of Part III

of WM Daubert Opp. is that Jacoby employed “Proper Double-Blind Procedures,” the bulk of that section, at 13-15, 16, is devoted to the remarkable proposition that whatever Jacoby did does not matter because there is no evidence that Jacoby’s interviewers deliberately lied or cheated in their conduct of the study, and because Smith’s expert Richard Teach had rarely seen interviewer dishonesty. This part of Wal-Mart’s argument should be ignored, because as Jacoby himself admitted during his deposition, double-blind conditions – where neither the interviewer nor the interviewee knows what answers the study sponsor wants – are a sine qua non of a fair study. JacDep 81, 98; *Reference Guide on Survey Research* 266 (Federal Judicial Center 2000). *see also* Jacoby Report at 20-21 (claiming compliance with the double-blind “standard custom and practice for surveys conducted” for litigation).

Indeed, Smith would have preferred to present a study of his own, but he was priced out of the market by the need for double-blind conditions. Had we known that Wal-Mart would take the position that interviewer knowledge of the sponsor or the desired answer is irrelevant absent proof of cheating, we could easily have obtained union member volunteers, pleased to help because they don’t like Wal-Mart, to conduct interviews. Smith himself could have stood on a street corner interviewing random passersby. Indeed, undersigned counsel could report to the Court his observations of



the reactions of members of the public to seeing somebody actually wearing Smith's shirts when, after receiving Jacoby's study, he obtained two shirts and wore them in various venues in Washington and elsewhere to see if he could find **anybody** who, without being asked trick questions, felt the least confusion about whether Wal-Mart was the sponsor of the "Hillary" or "Wal-Qaeda Mural" T-shirts.

Assuming that double-blind conditions are needed, Wal-Mart does not defend Jacoby's testimony that his interviewers were too unthinking to take any hints ("they're automatons . . . part of the survey instrument," JacDep 109-110), but it does embrace his argument that the questionnaire does not reveal sponsorship or, if it does reveal that, at least does not reveal what answer the sponsor wants. The latter point is wrong – as Teach explains (and as should be obvious), the pattern of going to the last question of the survey whenever an interviewee responds with one of four store names, which were selected in such a way that the only one that might fit is Wal-Mart (that is, no other store whose name begins with "Wal"), is a plain hint that the sponsor of the study is looking for the name of a **store**, and in particular for the answer "Wal-Mart." To be sure, there is nothing inherently wrong with having a skip pattern in an interviewing protocol, but the question is whether the inclusion of **this** skip pattern was justified to serve some other proper purpose. Wal-Mart repeatedly characterizes the skip pattern

as “conservative” because it avoids “bludgeoning” the respondents with questions that are not needed, but at most the asking of several additional questions would have taken a bit more time. Although that might have made the interviewing process a little more expensive, a company the size of Wal-Mart could surely afford to spend more to ensure that the interviewers were not provided with a broad hint telling them what answer the sponsor was hoping to obtain.

**2. Misleading Questions 1, 2a and 4c.** Wal-Mart also fails to provide an adequate defense for Jacoby’s use of the phrase “company or store,” instead of using a more neutral word like “who” or including the word “individual” in a series with company or store. Wal-Mart adopts Jacoby’s excuse that the use of the word “store” was proper because CafePress can be characterized as an online store. But Wal-Mart has no response to the point made in Smith’s opening brief, that Wal-Mart sued **not** CafePress but Smith; indeed, Jacoby’s own report recognized that the alleged infringer and diluter is “Charles Smith, an individual.” Despite the passage of several months since Jacoby’s deposition, where this question was challenged, Wal-Mart has not identified a single previous study where Jacoby used the phrase “company or store” for his confusion or dilution questions. The inference is inescapable that this is yet another example of the “survey researcher’s black arts” that Jacoby was using to be sure he

could produce findings of confusion and dilution.<sup>3</sup>

Finally, in footnote 19 of its Opposition, Wal-Mart relies on Jacoby's subsequent probe of the reasons why respondents thought that Wal-Mart "put out" the shirt, and his acceptance of only a "limited number of trademark features being claimed by [Wal-Mart]." JacAff2 at 33. However, one of the "trademark features" that Jacoby accepted as showing confusion is the smiley face, and as noted in Smith's Response to Wal-Mart's Statement of Material Facts," ¶¶ 2, 7, 12, 15, 17, 20, 88, Wal-Mart's motion for summary judgment did not present any admissible evidence that Wal-Mart has trademark rights in the smiley face. Indeed, Smith's evidence is that the smiley face is in widespread use by others, and hence is generic. Jacoby's improper assumption that Wal-Mart has a valid trademark in the smiley face provides yet another reason why his study should be rejected.

### **C. The Net Dilution Found Was Not Statistically Significant.**

Smith's motion objected, in part, to Jacoby's failure to account for the fact that almost as many respondents stated that Smith's shirts made them **more** likely to shop at Wal-Mart as stated the opposite, and that the net impact of Smith's shirts was not

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<sup>3</sup>Wal-Mart also argues that the phrase "puts out" is an accepted phrase in survey design. Smith does not object to the phrase by itself, but simply notes that, as Jacoby himself conceded during his deposition, the phrase is needlessly ambiguous when used **in conjunction with** the word "store." SmithDaubert at 20-21.

statistically significant given the very small sample sizes that Jacoby tested. Wal-Mart defends Jacoby's position on the ground that the net dilution is relevant only to damages.

On Wal-Mart's theory, if Jacoby had caused only ten people to be interviewed, and found that one person was less likely to shop at Wal-Mart after seeing Smith's shirts, but nine were **more** likely to shop there, that data would support a finding that Smith's supposed misuse of Wal-Mart's trademarks for the purpose of criticism was "likely" to cause harm to Wal-Mart's reputation. With respect to Wal-Mart, the proposition is absurd. If the net impact of Smith's activities were to improve Wal-Mart's reputation, it is hard to understand how those activities could be said to have any "likelihood" of hurting Wal-Mart's reputation. Although Wal-Mart says it could not find any decisions accepting a "net" impact analysis, its failure to mention any decisions strongly implies that it also found no decisions **rejecting** consideration of net impact on reputation. It may well be that the reason why the question has not come up before is that, in the normal case, virtually all respondents say either that the accused use decreases the likelihood of shopping or that it has no impact. <sup>4</sup>

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<sup>4</sup>Wal-Mart speculates that some respondents may have said that they were more likely to shop at Wal-Mart after seeing the shirts because they thought Wal-Mart was making fun of itself by associating itself with the Holocaust or with Al-Qaeda. WM Daubert Opp. at 20-21 n.22. That theory not only is flatly inconsistent with the theory

Wal-Mart's brief does not address the issue of statistical significance, but Jacoby does pay attention to this issue in his Second Affidavit, and his approach is telling. Jacoby points out that Teach found a low level of statistical significance because the sample size was so small. JacAff2 43-44. But that small sample size was not Smith's fault; rather, it was the result of Jacoby's decisions about the number of respondents to be interviewed with respect to each T-shirt in each of the point-of-sale and post-purchase studies. Has Jacoby chosen to interview more respondents, perhaps he might have produced a statistically significant result (or perhaps not).

The reason to test statistical significance is to determine the likelihood that study of a sample will accurately predict the reactions of an entire population. That is especially important here, where Wal-Mart seeks to use Jacoby's study to support the suppression of Smith's exercise of his First Amendment right to criticize Wal-Mart.

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pleaded in Wal-Mart's counterclaims, but it is not the most likely explanation. The more likely explanation is that Wal-Mart, having procured answers suggesting that the shirts were associated by Wal-Mart by using tricky questions, then got responses to its dilution questions that show that the respondents had no idea what was going on. In other words, the dilution answers may simply show what a hopeless mess the entire study is. Moreover, if a trademark owner can argue – especially without any evidence – that parodies **might** be confusing because some people **might** think that a company is making fun of itself, the consequence will be that trademark owners can forbid parodies (by threatening to claim likelihood of confusion). Such a legal analysis would contravene not only the First Amendment right to make fun of big companies that play a major role in our society, but Congress' evident purpose, reflected most recently in the 2006 amendments to the federal dilution statute, to protect the right of parody.

Restraint of speech should not be undertaken lightly. The impact on speech requires the testing of enough respondents to produce findings that are statistically significant.

**D. Jacoby’s Narrow Conclusions About “the Tested Shirts” Do Not Afford a Basis for Enjoining Distribution or Sale of Smith’s Other T-Shirts, or Enjoining the Use of Smith’s Domain Names That Jacoby Deliberately Decided Not to Study.**

Jacoby deliberately decided to test consumer reactions only to two individual T-shirts, not reactions to Smith’s domain names and not reactions to any of the other shirts. During his deposition, Jacoby also declined to respond to some questions posed by Smith’s counsel on the ground that he had not “tested” the propositions about which counsel was inquiring. *Supra* n.2. However, Wal-Mart’s opposition makes clear that Wal-Mart plans to argue that the two tested designs are “representative of all of Smith’s products,” at 22, even though their representative status has not been tested.<sup>5</sup>

During his deposition, Jacoby did not explain how the two tested shirts were representative, apart from the fact that one used the word “Walocaust” and one the word “Wal-qaeda.” *JacDep* 77-78. Similarly, Wal-Mart’s Opposition contains only its counsel’s *ipse dixit*. It is not at all surprising that Jacoby did not test either of the

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<sup>5</sup>The Opposition does not argue that the tested shirts were representative of Smith’s domain names, only of the “products.” Indeed, although Wal-Mart moved for summary judgment on most counts of its complaint, it did not seek summary judgment on Counterclaim Count IV, which relates to Smith’s domain names. It is not clear whether Wal-Mart has abandoned its claims against Smith’s domain names.

T-shirts that included the derisive slogan “dime store from hell,” or the shirts that picture Hillary Clinton or Mao Tse Tung in a Wal-Mart “associate’s” smock. Indeed, given the emphasis in the papers in support of Wal-Mart’s motion for summary judgment on the distinctive blue color in Wal-Mart’s signs, and in some of Smith’s designs, *e.g.*, Wal-Mart SJ Mem. 1, 3, 6, 7, 20, it is unclear why Wal-Mart claims that the tested shirts are “representative” of designs that show the Wal-Mart name in white. Rather than relying on the word of either of the parties’ counsel about whether the two designs selected by Jacoby are “representative” of the others, however, Smith believes that the Court itself can examine the various designs and see that the “Walocaust smiley eagle” is not representative of designs using the word “Walocaust” and alluding to Wal-Mart’s sale of alcohol, tobacco and guns or to “knife fights” at Wal-Mart stores, and that the “Support the Troops Boycott Wal-Qaeda” shirt is not representative of Smith’s other shirts using the term “Wal-Qaeda” in other contexts.

Finally, Wal-Mart defends Jacoby’s decision not to ask about confusion and dilution with respect to the entire “array” of anti-Wal-Mart materials (and other anti-establishment designs on the “Walocaust” CafePress.com home page), even though he posed his “likelihood of confusion” questions based on the full array of products in his recent *Juicy ZCouture* study, and the court in that case gave his study more weight than

the opposing study for precisely that reason. *Juicy ZCouture v. L'Oreal USA*, 2006 WL 1012939 (S.D.N.Y. 2006), at \*27; JacDep 74. Wal-Mart argues that this approach favored Smith because the “‘combined weight’ of all the infringing items” could have increased the level of confusion. WM Daubert Opp. at 22. This argument begs the question. Whether those designs are infringing (because confusing) is precisely the proposition that Wal-Mart’s expert decided not to test.

Wal-Mart argues that the array could not have been shown in Jacoby’s study of “post-sale” confusion, but it fails to explain why that should matter. Assuming, as Wal-Mart does, that post-sale confusion presents a valid claim against a parody – a legal proposition that Smith contests – it is a separate claim that ought to be separately tested. Wal-Mart’s desire to present a claim of post-sale confusion cannot justify conducting a point-of-sale confusion study that fails to inquire about the likelihood of confusion in a context that replicates the way the products are presented in the marketplace.

## **CONCLUSION**

Smith’s motion to exclude Jacoby’s testimony should be granted.

Respectfully submitted,



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