No. 15–2526

UNITED STATES COURT OF APPEALS FOR THE FOURTH CIRCUIT

VERISIGN, INC.,

Plaintiff–Appellant,

v.

XYZ.COM, LLC AND DANIEL NEGARI,

Defendants–Appellees.

Appeal from the United States District Court for the Eastern District of Virginia, No. 1:14-cv-01749, Judge Claude M. Hilton

RESPONSE BRIEF FOR APPELLEES (REDACTED)

Derek A. Newman
NEWMAN DU WORS LLP
100 Wilshire Blvd., Suite 940
Santa Monica, California 90401
(310) 359-8200

Counsel for Defendants–Appellees XYZ.com, LLC and Daniel Negari

CORPORATE DISCLOSURE STATEMENT

Pursuant to FRAP 26.1 and Local Rule 26.1, appellees XYZ.com LLC and Daniel Negari make the following disclosures:

1. Is the party a publicly held corporation or other publicly held entity?

   No.

2. Does the party have any parent corporations?

   No.

3. Is 10% or more of the stock of the party owned by a publicly held corporation or other publicly held entity?

   No.

4. Is there any other publicly held corporation or other publicly held entity that has a direct financial interest in the outcome of the litigation (Local Rule 26.1(b))?

   No.

5. Is the party a trade association?

   No.

6. Does this case arise out of a bankruptcy proceeding?

   No.

TABLE OF CONTENTS

TABLE OF AUTHORITIES

Cases

Other Authorities

ISSUES

1. A claim for false advertising requires a commercial advertisement. A statement must be widely disseminated to the relevant purchasing public to qualify as an advertisement. Verisign did not show any XYZ statement was widely disseminated. Verisign also challenges comments in news stories, which do not qualify as commercial advertisements. Should the Court affirm because Verisign has no evidence of a commercial advertisement?

2. False advertising requires a false or misleading statement of fact. Each statement Verisign challenges is true, opinion, or puffery—which are not actionable. Should the Court affirm because Verisign has no evidence of a false or misleading statement?

3. False advertising requires a misrepresentation that is material and deceptive. Verisign presented no evidence in the trial court that XYZ's statements were material. Verisign's only purported evidence of deception was a survey that did not show consumers tended to be misled. Should the Court affirm because Verisign presented no evidence of materiality or deception?

4. False advertising requires the plaintiff to prove injury proximately caused by a misrepresentation. Verisign's <.com> sales increased after XYZ's

statements, and injury cannot be presumed. Should the Court affirm because Verisign has no evidence of injury proximately caused by a misrepresentation?

STATEMENT OF THE CASE

A. Verisign enjoyed a near monopoly until competitors entered the market in 2014.

Verisign and XYZ operate competing top-level domain-name extensions. (*See* Sealed Appendix ("SA") 106, 108, 897–98, 1314.) A "domain name" is a string of characters in an Internet address, like a website or email address. (SA (Corrected Brief of Appellant (dkt. 32, 37) ("Brief") at 2–3; *see generally* SA 897–98, 901–02.) For example, <uscourts.gov> is a domain name. (SA 897–98.)

The portion of the domain name following the last dot—for example, <.gov>— is the "top-level domain," "TLD," or simply the "**domain extension**." (SA 901, 1323–24.) Only one party can operate a domain extension. (SA 1438.) Verisign operates the <.com> and <.net> domain extensions. (SA 897–98, 1438.) XYZ operates <.xyz>. (SA 898, 1439.)

Domain-extension operators sell domain names through brokers called "**registrars**." (SA 1313–34.) The purchaser is called the "**registrant**." (SA 1306, 1314, 1393–95, 1439.) The registrant is the customer of the domain-extension operator. (*Id.*) For example, a consumer or business with a <.com> domain name is a Verisign customer. (*Id.*)

[redacted] (SA 109.) Verisign quantified “the marketplace for registrants in the U.S. [as] tens of millions” (SA 1359), [redacted] (SA 109). Verisign did not amend or supplement its discovery to indicate a different market size or definition for “relevant purchasing public.”

Each domain name is unique—there can only be one <google.com>. Verisign amassed over 120-million registrations in <.com>. (Brief at 3.) [redacted] (SA 1004, 1014.)

[redacted] (SA 1198–1200, 1202–04, 1400–04, 1408–14.) [redacted] (SA 1198–1200, 1205.) [redacted] (SA 1400–04, 1408–1414.)

For more than 15 years, Verisign enjoyed a near monopoly, operating the most-popular domain extensions including <.com>, <.net>, <.edu>, and <.gov> with almost no competition. (Joint Appendix ("JA") 51; SA 147–48, 897–98.)

In 2012, ICANN—the nonprofit company responsible for the domain-name system—launched a program accepting applications for new domain extensions [redacted] (SA 147–48, 901–02.) ICANN noted that the [redacted]. (Ex. J to Sophy Tabandeh Decl. in support of Defs.' Mot. for Atty' Fees, at ICANN_VERISIGN0001573, *Verisign, Inc. v. XYZ.com, LLC*, No. 1:14-cv-01749 (E.D. Va. Nov. 20, 2015) (dkt. 385-10).)

In 2014, over 600 new domain extensions launched, including <.xyz>. (SA 902, 1251.) Verisign publicly warned investors that the new competition could "have a material adverse effect on our business, results of operations, financial condition and cash flows." (SA 161.) [redacted] (Pat Kane Dep. Tr. at 211:9–

212:11, *Verisign, Inc. v. XYZ.com, LLC*, No. 1:14-cv-01749 (E.D. Va. Nov. 20, 2015) (dkt. 315-10).)

B. Verisign alleged that XYZ made false statements.

Verisign alleges that XYZ's statements "when viewed together and in context, reflect a strategy to create a deceptive message to the public that companies and individuals cannot get the .COM domain names they want from Verisign, and that XYZ is quickly becoming the preferred alternative." (JA 54.) None of the statements appeared in traditional advertising such as television or radio commercials, or paid print or online advertisements. (*See* SA 21–32.) Some of the statements appeared on XYZ's, and its CEO Daniel Negari's, website blogs. (JA 596–99, 626–30.) Some appeared in isolated emails to individuals. (SA 351, 354–56, 361.) Others were in response to news-media interviews. (JA 592–95, 632–34, 636–76, 691–702, 710–15; SA 357–58, 360, 362–64.)

1. Statements about the shortage of <.com> domain names.

XYZ made statements about how the "good" <.com> names are already registered. (JA 52–53.) Several of these statements came from a National Public Radio (NPR) broadcast. (JA 592–95, 709–15.) Other statements were in interviews on a Las Vegas radio station, and domain-industry news websites. (JA 632–34, 636–76.)

NPR broadcasted a story entitled ".guru, .tips, .sexy: The Wild West of Internet Domains" about the nearly 2,000 new domain-extension applications. (JA 592–95, 709–15.) NPR informed the public about new domain extensions and featured interviews with "new pioneers" in the domain-name market. (JA 592–95, 709–15.) It started with <.wed>, targeted to newlyweds. (JA 593, 711–12.) Then the story introduced XYZ's CEO Daniel Negari and <.xyz> as a "contender to take on <.com>." (JA 593, 712–13.)

Immediately before introducing Negari, the reporter said, "You could try to become the next .COM, the next, all-purpose ending, the thing that you can stick on the back of any business name. After all .COM is pretty crowded." (JA 593, 712.) The broadcast then cut to Negari saying, "[a]ll of the good real estate is taken. The only thing that's left is something with a dash or maybe three dashes and a couple numbers in it." (JA 593; *see also* JA 712.) Verisign has no evidence that any single NPR listener was a domain-name consumer.

[redacted]

[redacted] (SA 1010.) [redacted] (SA 1014.) But Simpson testified that "Good is a subjective opinion." (SA 45.)

In June 2014, XYZ posted a 35-second video on the video-sharing website, YouTube (the "**Two-Cars Video**"). (JA 51–52.) Verisign claims the video uses "visual imagery to convey a superiority claim." (SA 30; *see also* JA 51–52.) The video features a dirty old Honda with a license plate that says "COM." (JA 51–52; SA 30.) "The Honda is filmed in a grainy video, and is accompanied by unflattering and dated background music." (JA 51; *see also* SA 30.) The video also "shows a shiny new Audi sports car pulling up next to the Honda with a Nevada license plate that says 'XYZ.'" (*Id.*) The narrator says, "with over 120 million dot coms registered today, it's impossible to find the domain name that you want. It's 2014 and the next generation of domain names is here." (JA 526–27.) Then, the "Audi speeds away as the Honda remains stationary." (JA 52.)

XYZ stated that 99% of requests to register <.com> domain names returned as unavailable because they were already registered. Verisign's publicly-reported figures confirm there were more than two-billion requests to register <.com> domain names in a single month. (SA 212–13, 1179.) Yet fewer than three million of these requests (about 0.15%) were successful. (*Id.*) 99% of the requests were for already-registered <.com> domain names—thus not available. (*Id.*)

[redacted] (Brief at 20, 34–35.) Simpson's analysis omits the substantial majority of attempts to register <.com> domain names because they were automated. (Brief at 34–35.) But Verisign has no evidence that an automated request to register a domain name is not legitimate or any less of a request to register.

2. Statements about <.xyz> registration numbers

The "**zone file**" accurately reflects the minimum number of domain names actually registered in a domain extension. (SA 1324, 1330, 1392; *see also* SA 1082, 1147–49.) When discovery closed, XYZ had over one-million <.xyz> domain names registered according to the zone file. (SA 1149, 1289.) Verisign does not dispute that XYZ consistently stated the accurate number of <.xyz> names registered, as reflected in the zone file. (SA 1324, 1330, 1392.)

Instead, Verisign contends that XYZ should not have publicly disclosed its true registration numbers without also disclosing "fake sales." (Brief at 11.) Verisign points to a promotion by registrar Web.com. (SA 438–42, 1446, 1466.) [redacted] (SA 438–42, 1446, 1466.) [redacted] (SA 438–42, 1090, 1446, 1466.)

[redacted] (SA 443–49, 1446–47, 1463.) [redacted] (SA 443–49, 1450, 1452, 1458, 1463.) [redacted] (SA 1145; *see also* SA 280–81.) [redacted] (SA 1464.)

[redacted] (SA 443–49, 1090, 1459.) [redacted] (SA 1471.)

[redacted]

[redacted] (SA 280–81, 283–84.) [redacted] (*Id.*) [redacted] (SA 1088, 1113–16.)

[redacted] (Brief at 12.) [redacted] (SA 1144.) [redacted] (SA 826–46.) [redacted] (SA 438–49.)

3. **Statements about XYZ's revenue and marketing budget**

Verisign claims that XYZ inaccurately reported revenue. (SA 23, 506, 509, 1091–93, 1100–03.) But XYZ did not publicly disclose its revenue. (SA 1094–95; *see also* SA 286–87.) [redacted] (SA 1084–86, 1091–93, 1100–03; *see also* SA 286–87.) The statements in these emails were accurate. (SA 1087–88, 1092–93.) [redacted] (Brief at 29.) [redacted] (SA 286–87, 508–12, 522, 1084–87.) [redacted] (*See* SA 23, 505–06, 508–09, 1100–03.)

[redacted] (SA 30–31.) [redacted] (SA 1109–11, 1116.) [redacted] (SA 1457–59.)

C. None of the statements were widely disseminated to the relevant purchasing public.

The Two-Cars video was viewed 52,000 times, which is a fraction of a percent of the tens-of-millions of domain-name purchasers in the United States and many more worldwide. (SA 286, 296.) Verisign complains about statements made on XYZ and Negari's websites. The statements were made on web pages that collectively [redacted] (SA 285–94.) And the

YouTube video that Verisign calls the "We Did It! Video" received about 3,000 views. (JA 531–32; SA 287, 302.) Verisign presented no evidence that the people who read these blog posts, or viewed these YouTube videos, were domain-name consumers.

Other statements that Verisign complains about were made in emails XYZ sent to individuals. (SA 22–32, 354, 484, 553.) [redacted] received those emails. (*See* SA 22–32.)

D. Verisign's survey only measured whether consumers differentiate between "purchased" and "unpurchased" domain-name registrations.

Verisign's expert, Michael Mazis, conducted a survey to measure whether respondents "understood that the vast majority of domain names within the .xyz registry were given away for free and were not purchased by domain name registrants." (JA 325.) The survey presented a single Negari blog post stating, among other things, the number of <.xyz> registrations. (JA 358.)

The survey asked respondents about the entire blog post: "What message or messages, if any, did the blog post mainly communicate to you about .xyz?" (JA 331–32.) A follow-up question asked for more details: "What other messages, if any, did the blog post communicate to you about .xyz?"

(*Id.*) The responses did not mention purchased or unpurchased domain names. (JA 334–37.)

Next, respondents were shown an isolated statement from the blog post: ".xyz has received the most registrations of all new gTLDs with 447,544 domains registered." (JA 331–32.) They were asked: "What does this section of the blog post communicate to you?" (*Id.*) No responses indicated that <.xyz> has the most *purchased* domain names, that 447,544 domains have been *purchased*, or any similar message. (JA 334–36, 429.)

Respondents were then asked a more targeted question: "Does or doesn't this section of the blog post communicate something about the number of .xyz domain names that have been purchased?" (JA 332.) This is the place in the survey where respondents were prompted to answer about "purchases." (JA 430–31.) The district court noted that the "logical conclusion that can be drawn from this survey question is that consumers may or may not differentiate between 'purchased' and 'unpurchased.' This conclusion does not show deception on the part of the Defendants." (JA 841.)

E. Verisign presented no evidence to the district court that any statement was likely to influence purchasing decisions.

Mazis admits his survey did not test materiality. (JA 253–54, 814.) Verisign's summary-judgment opposition did not present arguments or evidence that any XYZ statement was likely to influence consumer purchasing decisions— "materiality" was never mentioned. (SA 303–36.) Verisign now claims it has evidence for materiality, but it did not present that evidence below.

F. Verisign admits <.com> sales increased after XYZ's statements, but claims that <.net> suffered harm.

Verisign's <.com> sales increased after the XYZ statements were made. (SA 157, 216.) So Verisign claims the statements damaged its <.net> domain extension. (SA 973, 1262.)

[redacted] (SA 160–61, 949–54, 1367–68), [redacted] (SA 894–97, 913–14, 967–68.) [redacted] (SA 949–54.) During this 12-month period, 647 new domain extensions entered the market, competing against <.net>. (SA 902, 952.) [redacted] (SA 1333–35, 1338.) Yet Kindler concludes XYZ was responsible for the <.net> decline during that period. (SA 913–14, 967–68.)

In ruling on XYZ's motions to exclude Verisign's experts, the court reserved ruling on whether the experts should be excluded for improper methods or relevance until summary judgment or trial. (JA 477.) At summary judgment, the district court excluded Kindler's testimony because her methods in reaching her conclusion were questionable. (JA 843.) Her methods were based on "fatal flaws that point only to correlation, not causation, and as such, Kindler's conclusions are not reliable." (*Id.*)

Verisign claims it spent [redacted] (SA 673; *see also* SA 107, 896–97, 915–16, 1256–57.) [redacted] (SA 107, 673–90, 914–16, 1256–57, 1347–48.) [redacted] (SA 1428–29.) [redacted] (SA 1198–1200.)

Finally, Verisign claims it suffered reputational harm, [redacted] (SA 1374–75, 1377–78, 1415–23.)

SUMMARY OF THE ARGUMENT

Verisign appeals the district court's order granting summary judgment on a Lanham Act false-advertising claim. To survive summary judgment, Verisign was required to present admissible evidence of a statement by XYZ that meets all five false-advertising elements. Verisign did not meet the standard. It lacks admissible evidence for at least one element for each statement it challenges. This Court must affirm even if Verisign can show admissible evidence for some—but not all—elements.

First, for each challenged statement, Verisign must present admissible evidence of a false or misleading representation of fact in a *commercial advertisement*. The Second and Fifth Circuits, and all district courts considering the issue in this circuit, follow the same standard to determine commercial advertising. They require a statement to be "disseminated sufficiently to the relevant purchasing public" to qualify as a commercial advertisement. This requires proof of widespread dissemination of the challenged statement within the relevant industry. This Court should formally adopt that standard. Most of the challenged statements were in emails to individuals. Some statements were only circulated internally or to XYZ's media consultant. Verisign lacks evidence of any challenged statement that was widely disseminated to domain-name purchasers.

A statement to a news reporter does not qualify as a commercial advertisement even if it is widely disseminated. Rather, all content within a news story is protected noncommercial-speech even where a person interviewed may stand to gain financially from the story. Verisign complains of Negari's statements in a National Public Radio interview about new domain extensions. But since the statements were part of a news story, they do not qualify as commercial advertising.

Second, Verisign lacks admissible evidence of a false or misleading representation of fact. Each of the challenged statements are true, opinion, or puffery—none of which are actionable. The Court decides whether statements are opinion and puffery as a matter of law. For example, "all the good real estate is taken" is Negari's opinion about what is good domain-name real estate. "You can't get the domain name you want" is XYZ's opinion about what consumers want. "99% of <.com> domain names are unavailable" is true because Verisign admits 99% of attempts to register <.com> domain names result in the domain names not being available. And Verisign admits the zone file verifies XYZ's representations about its registration numbers. The Court should affirm because Verisign has no evidence of a false or misleading representation of fact in a commercial advertisement.

Third, Verisign must present admissible evidence of materiality—that each challenged statement is likely to influence purchasing decisions. At the district court, Verisign did not submit evidence that any statement was material. Verisign asks this Court for a presumption of materiality. This Court should decline to adopt a presumption, and join the First, Second, and Eleventh Circuits to require evidence of materiality. Verisign cites hearsay statements from the Internet, and XYZ employee speculation about the purpose of XYZ's statements. But since Verisign presented no admissible evidence of materiality below, the Court should affirm.

Verisign must also present admissible evidence that XYZ's statements deceived consumers—that they tended to mislead or confuse consumers. Verisign's only purported evidence of deception was the Mazis survey. The district court acted within its discretion in concluding the survey "does not show deception on the part of the Defendants." The Court should decline Verisign's request for a presumption of deception because a presumption would eliminate a plaintiff's burden to show any consumers would be misled.

Fourth, Verisign must show XYZ's statements proximately caused it injury. Verisign's <.com> sales increased after XYZ's statements. So Verisign asks for a presumption. But the Supreme Court twice rejected a presumption of harm. Verisign cites no case recognizing a presumption of harm decided after the two Supreme Court cases.

The district court excluded Verisign's expert testimony about diversion of <.net> sales because the expert based her conclusion on a correlation in time between XYZ's statements and a drop in <.net> registrations. Correlation is not causation. And the expert assumed every <.xyz> sale was as a result of XYZ's statements comparing it to <.com>. This Court recently noted that assuming every sale made was attributable to a "compare to" statement was a "fatal flaw" in expert testimony. Verisign's expert committed the same fatal flaw.

When ruling on Daubert motions to exclude experts, the district court found Verisign's experts as qualified. But the court expressly deferred ruling on whether they should be excluded for improper methodology until summary judgment or trial. Then at summary judgment, the court noted that while the expert's "qualifications are not in dispute, her methods in reaching this conclusion are questionable." The trial judge has discretion to determine whether an expert's methods are sound, and if they are unsound to exclude the expert. The district court did not abuse its discretion in excluding Verisign's expert about harm.

Verisign suggests it should be compensated for corrective advertising—a contest to "dispute the notion that there are no good .COM names available." But corrective advertising was unnecessary since Verisign presented no admissible evidence of injury to <.com>. Finally, the Court should not allow Verisign to establish loss of goodwill and reputation by proffering only the mere opinion of its executive. Verisign's opinion is irrelevant, and that type of testimony would have to come through an expert.

Verisign fails to meet at least one element of a Lanham Act false-advertising claim for each challenged statement. The Court should affirm.

STANDARD OF REVIEW

This Court reviews de novo the district court's decision granting summary judgment. *Ray Commc'ns, Inc. v. Clear Channel Commc'ns, Inc.*, 673 F.3d 294, 297 (4th Cir. 2012). Verisign "must provide more than a scintilla of evidence—and not merely conclusory allegations or speculation—upon which a jury could properly find in its favor." *Design Res., Inc. v. Leather Indus. of Am.*, 789 F.3d 495, 500 (4th Cir. 2015) (citations and quotations omitted).

But this Court reviews the district court's evidentiary decisions for an abuse of discretion. *See Meyers v. Lamer*, 743 F.3d 908, 915 (4th Cir. 2014) ("We review the trial court's decision regarding whether to admit evidence into the summary judgment record for an abuse of discretion."). The abuse-of-discretion standard also applies to the district court's decision to exclude expert testimony. *Cooper v. Smith & Nephew, Inc.*, 259 F.3d 194, 200 (4th Cir. 2001). A trial judge must be afforded "considerable leeway in deciding in a particular case how to go about determining whether particular expert testimony is reliable." *Kumho Tire Co. v. Carmichael*, 526 U.S. 137, 152 (1999). Most of Verisign's arguments go to whether the district court should have allowed certain evidence or experts. So this Court reviews most of the issues here for an abuse of discretion.

The Court can affirm summary judgment on any basis supported by the record, even if the district court did not reach its decision on the same basis. *Defenders of Wildlife v. N.C. Dep't of Transp.*, 762 F.3d 374, 392 (4th Cir. 2014).

ARGUMENT

Verisign cannot identify any statement made by XYZ that meets all five Lanham Act false-advertising elements:

> 1. A false or misleading description of fact or representation of fact in a commercial advertisement about [its] own or another's product;
>
> 2. The misrepresentation is material, in that it is likely to influence the purchasing decision;
>
> 3. The misrepresentation actually deceives or has the tendency to deceive a substantial segment of its audience;
>
> 4. The defendant placed the false or misleading statement in interstate commerce; and
>
> 5. The plaintiff has been or is likely to be injured as a result of the misrepresentation, either by direct diversion of sales or by a lessening of goodwill.

Design Res., 789 F.3d at, 501 (emphasis omitted) (quoting *PBM Prods., LLC v. Mead Johnson & Co.*, 639 F.3d 111, 120 (4th Cir. 2011)).

Verisign cannot prevail on its claim by mixing and matching statements. It must offer admissible evidence supporting all five elements for at least one statement. *See Design Res.*, 789 F.3d at 501–05 (analyzing each alleged false statement individually); *Appliance Recycling Ctrs. of Am., Inc. v. JACO Envtl., Inc.*, 378 F. App'x 652, 654 (9th Cir. 2010) (dismissing Lanham Act claims after evaluating each statement independently and concluding that "[n]one of the statements at issue here satisfies all the necessary elements.") "[F]ailure to establish any one element is fatal to the claim." *Design Res.*, 789 F.3d at 501.

A. Verisign has no evidence that any XYZ statement was made in a "commercial advertisement."

The Lanham Act only applies to "commercial advertising or promotion." 15 U.S.C. § 1125(a)(1)(B). This Court can affirm on any grounds supported by the record. *See Defenders of Wildlife*, 762 F.3d at 392; *Maynard v. Gen. Elec. Co.*, 486 F.2d 538, 539–40 (4th Cir. 1973). The Court should affirm because Verisign lacks evidence of any statement in a commercial advertisement.

1. Verisign failed to show commercial advertising because no statement was widely disseminated to the relevant purchasing public.

Fashion Boutique of Short Hills, Inc. v. Fendi USA, Inc., 314 F.3d 48 (2d Cir. 2002) provides that a statement only qualifies as commercial advertising when it is "disseminated sufficiently to the relevant purchasing public." *Id.* at 56. While "the Lanham Act encompasses more than the traditional advertising campaign, the language of the Act cannot be stretched so broadly as to encompass all commercial speech." *Id.* at 57. "Proof of widespread dissemination within the relevant industry is a normal concomitant of meeting this requirement." *Id.*

This Court should formally adopt the *Fashion Boutique* standard as have the Fifth and Second Circuits, and all district courts considering the issue in this circuit. *See Seven-Up Co. v. Coca-Cola Co.*, 86 F.3d 1379, 1384 (5th Cir. 1996) (requiring a statement to "be disseminated sufficiently to the relevant purchasing public to constitute 'advertising' or 'promotion' within that industry."); *Reynolds Consumer Prods., Inc. v. Handi-Foil Corp.*, No. 13-CV-214, 2014 WL 794277, at *5 (E.D. Va. Feb. 27, 2014) (collecting cases applying *Fashion Boutique*).

Whether a statement is "disseminated sufficiently to the relevant purchasing public" depends on the specific market in question. *Fashion Boutique*, 314 F.3d at 57. The larger the relevant market, the harder to show widespread dissemination. *See, e.g.*, *Applied Med. Res. Corp. v. Steuer*, 527 F. Supp. 2d 489, 493–94 (E.D. Va. 2007); *Tao of Sys. Integration, Inc. v. Analytical Servs. & Materials, Inc.*, 299 F. Supp. 2d 565, 573 (E.D. Va. 2004); *Cavalier Tel., LLC v. Verizon Va. Inc.*, 208 F. Supp. 2d 608, 617–18 (E.D. Va. 2002).

The market for domain-name registrations is undisputedly worldwide. [redacted] (SA 109.) [redacted]

[redacted] (SA 109, 1359.)

Verisign lacks evidence that any XYZ statement was sufficiently disseminated to qualify as a commercial advertisement. The Two-Cars Video was viewed only 52,000 times—far more than any of the other statements at issue. Assuming all viewers were actual or potential domain-name purchasers, the Two-Cars Video did not reach widespread dissemination. The 52,000 views is a tiny fraction of one percent of the market comprised of tens of millions in the United States, and hundreds of millions worldwide.

At summary judgment, Verisign attempted to [redacted] The Court should disregard any attempt by Verisign to narrow the purchasing public. The nonmoving party at summary judgment cannot create an issue of fact by contradicting its earlier sworn statements. *See Barwick v. Celotex Corp.*, 736 F.2d 946, 959–60 (4th Cir. 1984).

Even if the purchasing public is limited to registrars, Verisign provides no evidence of widespread dissemination. [redacted] (SA 309.) [redacted] (SA 22–32.)

A few emails to specific individuals, and internal communications, do not qualify as widespread dissemination. Nor do blog posts and YouTube videos seen by very few relative to the worldwide market of domain-name purchasers. And no evidence exists indicating the viewers were potential domain-name buyers. Verisign has no redress under the Lanham Act because no XYZ statement was in a commercial advertisement.

2. XYZ's comments in news stories are protected under the First Amendment.

News articles are protected speech under the First Amendment—even where a person interviewed may stand to gain financially from the article. *Virginia State Bd. of Pharmacy v. Virginia Citizens Consumer Council, Inc.*, 425 U.S. 748, 761–62 (1976); *see also Bd. of Trs. of State Univ. of New York v. Fox*, 492 U.S. 469, 482 (1989) ("[S]ome of our most valued forms of fully protected speech are uttered for a profit."). The Lanham Act only applies to "commercial speech—speech which does no more than propose a commercial transaction." *See Bolger v. Youngs Drug Prods. Corp.*, 463 U.S. 60, 65–68 (1983) (internal quotations omitted); *see also Porous Media Corp. v. Pall Corp.*, 173 F.3d 1109, 1120 (8th Cir. 1999) (holding that "commercial speech" is a "threshold requirement for Lanham Act liability."). To determine if a news story is commercial speech, the Court should look to the story's purpose, and determine whether its purpose is solely to promote a product. *Bolger*, 463 U.S. at 65–68.

Verisign complains about news stories on NPR, a Las Vegas radio station, and domain-industry websites. The purpose of these broadcasts and articles was to discuss new domain extensions. The content within the stories, including Negari's statements, are protected speech.

Verisign cannot police Negari's statements to a reporter because the effect on free speech would be the same as attacking the whole story. Generally, freedom of speech is "afforded…to the communication, to its source and to its recipients." *Virginia State Bd. of Pharmacy*, 425 U.S. at 756–57 (holding that consumers had standing to assert First Amendment claim against advertising regulation). To impose the standard Verisign suggests would deter candid dialogue and dry up the sources of information essential to a free press. That paradigm would gut the marketplace of ideas and transform any statement—no matter how off-the-cuff—into "advertising" if it relates to a product. That is not the purpose of the Lanham Act. Rather, the Lanham Act is designed to ensure that an advertisement—not speech in general—is truthful.

The Court should affirm because Verisign has not met its burden of identifying even one commercial advertisement as required by the Lanham Act. No XYZ statement was widely disseminated. And XYZ's statements in response to legitimate media inquiries—such as the NPR interview—are protected by the First Amendment.

B. Verisign cannot identify any XYZ statement that was a false or misleading description or representation of fact.

Verisign argues the district court did not consider evidence that XYZ made a false or misleading representation of fact. But the court specifically considered Verisign's "own <.com> availability expert, Andrew Simpson," "the analysis of expert Lauren Kindler," "the survey conducted" by Verisign, Verisign's "own data, <.com> names are largely unavailable," Verisign's "reports" about requests to register <.com> and evidence that Versign's "own data shows that <.com> registrations actually increased after Defendant's statements." (JA 837–44.) The court even considered internal exchanges cited by Verisign between Negari and XYZ employees. (JA 838.) The court correctly found the XYZ statements on the record did not qualify as the type of statements which support a claim for false advertising.

1. Statements about "all the good real estate is taken," "domains you want," and "good domains" are opinion.

False advertising under the Lanham Act only applies to a "description of fact or representation of fact." *See Design Res.*, 789 F.3d at 501. A factual statement is capable of "empirical verification." *Id.* at 502, 505. But a statement of opinion—which is not actionable—conveys a subjective (rather than empirical) viewpoint. *See Pizza Hut, Inc. v. Papa John's Int'l, Inc.*, 227 F.3d 489, 495–99 (5th Cir. 2000).

Puffery is one type of non-actionable opinion statement. "Puffery exists in two general forms: (1) exaggerated statements of bluster or boast upon which no reasonable consumer would rely; and (2) vague or highly subjective claims of product superiority, including bald assertions of superiority." *See Am. Italian Pasta Co. v. New World Pasta Co.*, 371 F.3d 387, 390–91 (8th Cir. 2004). Whether a statement is fact, opinion, or puffery can generally be decided as a matter of law. *E.g., Castrol, Inc. v. Pennzoil Co.*, 987 F.2d 939, 945 (3d Cir. 1993).

Verisign complains about Negari's statements in an NPR story entitled ".guru, .tips, .sexy: The Wild West of Internet Domains" about the nearly 2,000 new domain-extension applications. (JA 592–95.) The broadcast starts by describing the <.com> domain space as "very crowded." The reporter then describes new domain extensions entering the market, and interviews several new domain-extension operators. The Negari statements occur in the middle of this program. The reporter turns to discuss the new <.xyz> domain extension, and Negari's opinion of the generally crowded field of domain names.

Negari opines that "all the good real estate is taken." Verisign's <.com> availability expert —its own employee—conceded that whether a domain name is "good" is just "subjective opinion." (JA 225.) No evidence exists in the record that "good" is anything other than subjective opinion.

Negari also states his belief that "the only thing that's left is something with a dash or maybe three dashes and a couple numbers in it." (JA 593.) In context, Negari's statements to the NPR reporter constitute puffery. *See Castrol*, 987 F.2d at 945 ("Puffery is an exaggeration or overstatement expressed in broad, vague, and commendatory language."). Taken literally, the statement dictates that there is only *one* domain name left, and that *one* domain has dashes and numbers in it. No reasonable domain-name purchaser would believe this is a factual assertion. Nor does Negari specify that the domain names he is talking about necessarily relate to <.com> names, rather than a desired name in general. NPR chose to edit and splice the statements to further its message—that new top-level domains were available to consumers in an industry where <.com> had previously dominated.

2. The "next .com" statements are either true or puffery.

NPR's broadcast presents a story of the "new pioneers" in the Internet world of domain names. The reporter introduces specific-purpose domains, interviewing the ".wed" operator, targeted to websites for newlyweds. Then the reporter says "you could try to become the next .COM…After all .COM is pretty crowded" before introducing Daniel Negari—a "contender to take on .COM." (JA 593.) The reporter further praises <.xyz> as "universal, yet abstract and catchy." (JA 594.) In the context of NPR's newsworthy story, about healthy competition in the domain space, NPR *did* describe <.xyz> as the next <.com>. If not, the statement is puffery—a broad, vague exaggeration or boast on which no reasonable consumer would rely.

3. The Two-Cars Video is puffery.

The tongue-in-cheek juxtaposition of the cars in the Two-Cars video communicates subjective measures of value constituting an opinion. Nothing in the video qualifies as a factual statement that could be proven false. (JA 838.) *See Pizza Hut*, 227 F.3d at 496 (actionable statements must be "specific and measurable…capable of being proved false or of being reasonably interpreted as a statement of objective fact.").

Verisign claims the district court erred by failing to consider the video's narration that "it's impossible to find the domain name *you want*." This is merely a statement of opinion about what consumers want.

Verisign's reliance on *Dunn v. Borta*, 369 F.3d 421 (4th Cir. 2004) and *Castrol*, 987 F.2d 939 (3d Cir. 1993) is misplaced. *Dunn* is a securities—not false advertising—case. The court found "specific factual allegations…can be proven true or false." *Dunn*, 369 F.3d at 431. In *Castrol*, the court found "the claim is both specific and measurable by comparative research." 987 F.2d at 946. Whether an anonymous "you" can "get the name you want" cannot be proven true or false, nor is it specific or measurable by research.

4. Statements about XYZ's registration numbers, selling domain names for the full wholesale price, and <.com> availability were true and not misleading.

"In analyzing whether an advertisement…is literally false, a court must determine, first the unambiguous claims made by the advertisement…and second, whether those claims are false." *Scotts Co. v. United Indus. Corp.*, 315 F.3d 264, 274 (4th Cir 2002) (quoting *Novartis Consumer Health, Inc. v. Johnson & Johnson-Merck Consumer Pharm. Co.*, 290 F.3d 578, 586 (3rd Cir. 2002)). "A literally false message may be either explicit or conveyed by necessary implication when, considering the advertisement in its entirety, the audience would recognize the claim as readily as if it had been explicitly stated." *Scotts*, 315 F.3d at 274 (quoting *Novartis*, 290 F.3d at 586–87).

In contrast, where a statement is not literally false, a plaintiff "must demonstrate, by extrinsic evidence, that the challenged [advertisements] tend to mislead or confuse consumers." *Scotts*, 315 F.3d at 273 (brackets in original). Consumer confusion "is most often proved by consumer survey data." *Id.* at 276 (citing *Clorox Co. Puerto Rico v. Proctor & Gamble Commercial Co*, 228 F.3d 24, 36 (1st Cir. 2000)).

Verisign challenges the truth of statements about (a) the total number of <.xyz> registrations; (b) whether XYZ received payment for those registrations; and (c) <.com> availability. As the district court found, XYZ's statements on these topics are true and not misleading. (JA 838–39.) No evidence exists in the record to the contrary.

a) Statements about <.xyz> registrations are true as Verisign admits, and not misleading as it argues.

Verisign admits XYZ's stated registration numbers are true because the "zone file" accurately reflects the minimum number of domain names actually registered. Yet Verisign believes a statement of registration numbers "necessarily communicated—that consumers *wanted* an .xyz domain, made a decision to get one, and paid for it, and not that they received a free domain without asking for one." (Brief at 25.) But Verisign submitted no evidence indicating any consumer reached, or is likely to reach, that conclusion.

Verisign's only purported evidence about a consumer's reaction to registration numbers was a survey that tested just one statement at issue. The survey asked respondents whether they thought "registration" meant a consumer paid for the registration. The only conclusion that could be drawn is respondents could not tell the difference between a paid and unpaid registration. And when asked an open-ended question about what message was conveyed, more than 99% of the respondents did not mention anything about purchases.

The survey did not—as Verisign claims—ask respondents whether they believed "that consumers *wanted* an .xyz domain, made a decision to get one, and paid for it, and not that they received a free domain without asking for one." (Brief at 25.) That is an implication Verisign had to prove—but had no evidence to show. Verisign asserts the court "failed to assess whether and how consumers were misled, and therefore disregarded evidence that they were." (Brief at 27 n.8.) The failure was not on the court, but on Verisign. Verisign failed to provide evidence sufficient to prove its allegations. Absent this, Verisign cannot show that the statements are false by necessary implication or misleading. *See Scotts*, 315 F.3d at 273.

Verisign argues the registration numbers, although backed by zone-file data, implied XYZ had generated sales that it had not earned. Verisign argues XYZ is somehow required to state the number of registrations which were given away in Web.com's promotion. But neither an implied statement nor a failure to state constitutes a "description of fact" or "representation of fact" under the Lanham Act. *See Mylan Labs., Inc. v. Matkari*, 7 F.3d 1130, 1139 (4th Cir. 1993). In *Mylan*, the plaintiff placed a drug on the market using standard packaging for FDA-approved drugs but did not expressly state whether or not the drug had FDA approval. *Mylan*, 7 F.3d at 1139. The *Mylan* plaintiff alleged the defendant had implied the FDA approved its drug through the packaging. But this Court held a failure to allege an actual statement—such as that the drug was FDA approved—was "quite simply, too great a stretch under the Lanham Act." *Id.*

This case is like *Mylan*. Verisign claims XYZ's truthful statement about registration numbers gave the impression of consumer demand because XYZ did not disclose Web.com gave domain names away for free. But as in *Mylan*, XYZ did not mislead consumers by stating true registration numbers. To mandate that domain-extension operators disclose every type of sale or promotion which led to registrations would be "too great a stretch under the Lanham Act." *See id.* at 1139.

Likewise, XYZ's statements about "outselling any other new" domain extension, leading the pack in gross sales, and being the largest and fastest growing new domain extension were true. (Brief at 28 (citing JA 465, 523; SA 389, 484, 555, 582).) Verisign speculates otherwise, arguing that each of these statements was literally false or misleading. (Brief at 28–30.) But Verisign fails to cite any admissible evidence indicating consumers were actually misled or likely to be misled by those statements.

Verisign offered an isolated statement from an unidentified "domain name rankings organization" that moved XYZ from #1 to #14 in domain-name sales, and argues that the district court ignored this evidence. (Brief at 31.) But "[i]n assessing a summary judgment motion, a court is entitled to consider only the evidence that would be admissible at trial." *See Kennedy v. Joy Techs., Inc.*, 269 F. App'x 302, 308 (4th Cir. 2008); *see also Maryland Highways Contractors Ass'n v. State of Maryland*, 933 F.2d 1246, 1251 (4th Cir. 1991) (holding that "hearsay evidence, which is inadmissible at trial, cannot be considered on a motion for summary judgment."). The statement Verisign cites was printed from the Internet. No domain-name rankings organization testified. Verisign did not submit a declaration or take the deposition of this organization. The statement is inadmissible hearsay.

Additionally, Verisign failed to disclose the evidence during discovery, which renders it inadmissible at trial. And a third-party's bare opinion about XYZ's sales—without any evidence about that third party's methods—does not create an issue of fact. The district court did not abuse its discretion by disregarding the hearsay statement.

b) XYZ's statements about receiving the full wholesale price are true and not misleading.

XYZ's statements that it received the full wholesale price for each domain name are true. [redacted]

Verisign argues the district court should have let the jury hear expert Mark Berenblut's opinion [redacted] But the district court has a gatekeeper function for expert testimony. *Cooper*, 259 F.3d at 199. The district court must do more than evaluate an expert's qualifications and then blindly assume a jury should consider the conclusions. Instead, the court must evaluate whether the reasoning or methodology underlying testimony is scientifically valid and "whether that reasoning or methodology properly can be applied to the facts in issue." *Id.*

Expert testimony "which does not relate to any issue in the case is not relevant and, ergo, non-helpful." *Daubert v. Merrell Dow Pharm., Inc.*, 509 U.S. 579, 591 (1993). There must be a "valid...connection between the expert's testimony and the pertinent inquiry before the court as a precondition to admissibility." *Garlinger v. Hardee's Food Sys., Inc.*, 16 F. App'x 232, 235 (4th Cir. 2001). This Court reviews the district court's evidentiary decisions under an abuse-of-discretion standard. *Cooper*, 259 F.3d at 200.

According to Berenblut, [redacted] But whether XYZ recorded or described the transaction under Berenblut's GAAP standard is not relevant because XYZ is not required to account under GAAP. Similarly, Berenblut's opinion as to whether [redacted] Whether or not [redacted] is not germane to whether XYZ received its "full wholesale price."

The district court did not abuse its discretion by disregarding Berenblut's opinion about GAAP when XYZ does not account under GAAP, and GAAP is not at issue.

c) XYZ's statements about <.com> availability are true and not misleading.

XYZ's statements about <.com> availability were literally true and backed by Verisign's own data. Verisign reports that in a given month, it receives about two-billion requests to register <.com> domain names. Most of those requests fail because the requested <.com> domain name is unavailable. Fewer than three-million <.com> domain names are registered each month. Three-million out of two-billion is less than 1%. So more than 99% of <.com> domain-name registration attempts result in "unavailable" status.

Verisign objects to XYZ's claim that more than 99% of <.com> names are unavailable because its expert found that 70% of availability checks for <.com> names succeed. (Brief at 20, 34–35.) Verisign's expert [redacted] (Brief at 35.) But XYZ did not make any statements about any particular type of search—only that 99% of requests resulted in "domain unavailable" status.

Verisign suggests the "99% unavailable" statement is misleading by analogy to a beachgoer asking how deep the ocean is, and responding that the average depth is 12,881 feet rather than the depth at the shore. But telling a beachgoer the average depth is not false—it is a true, albeit not useful, statement. This analogy does not apply to XYZ's statements that 99% of requests to register were unsuccessful. XYZ did not supply an average; it provided a true statement. Verisign failed to present extrinsic evidence showing that the <.com> availability statements tended to mislead consumers.

C. Verisign lacks evidence that any XYZ statement was material to consumer decision-making or that any consumer was deceived.

1. The Court should not presume materiality, and Verisign presented no evidence of materiality in the court below.

A false-advertising plaintiff must show that a misrepresentation is "material, in that it is likely to influence the purchasing decision." *Scotts*, 315 F.3d at 272 (citing *Cashmere & Camel Hair Mfrs. Inst. v. Saks Fifth Ave.*, 284 F.3d 302, 311 (1st Cir. 2002). "The materiality requirement is based on the premise that not all deceptions affect consumer decisions." *Johnson & Johnson Vision Care, Inc. v. 1-800 Contacts, Inc.*, .299 F.3d 1242, 1250 (11th Cir. 2002).

Verisign argues the Court should apply the minority view of the Fifth Circuit, which allows a presumption of materiality when statements are shown to be literally false. *See Pizza Hut*, 227 F.3d at 497. The prevailing majority view—followed by the First, Second, and Eleventh Circuits—requires that even when a statement is literally false, a plaintiff must demonstrate materiality "in order to show that the misrepresentation had some influence on consumers." *Cashmere*, 284 F.3d at 312, n.10; *see also Johnson & Johnson*, 299 F.3d at 1250; *Nat'l Basketball Ass'n v. Motorola, Inc.*, 105 F.3d 841, 855 (2d Cir. 1997). This Court should adopt the majority rule requiring a showing of materiality because "not all deceptions affect consumer decisions." *See Johnson & Johnson*, 299 F.3d at 1250.

Verisign claims it has shown materiality "as a matter of law" arguing that XYZ's statements relate to an inherent quality or characteristic of domain names. It cites *Cashmere*, 284 F.3d at 311–12, where a garment manufacturer conceded that it made misrepresentations about cashmere in cashmere blazers on the garment's label. The court found that "cashmere is a basic ingredient of a cashmere-blend garment; without it, the product could not be deemed a cashmere-blend garment or compete in the cashmere-blend market." *Id.* at 312.

Unlike *Cashmere*, Verisign does not identify any XYZ statement targeted at an inherent quality or characteristic of domain names. XYZ never said that <.com> domain names cannot be used for email or websites. Verisign makes general allegations that statements regarding "the unavailability of .com names" and the "desirability, competitive superiority, and value" of <.xyz> and <.com> relate to inherent qualities. But it is not "inherent" that a domain name is superior, desirable, or available.

In *Cashmere*, the type and quantity of cashmere in the blazers was tested and could be measured. XYZ's statements about good domain names being available could not be measured because "good" is subjective. The statements that could be tested—registration numbers—were truthful. Desirability and popularity are extrinsic, external, and acquired qualities based subjectively on a consumer's desires and needs. And unlike a cashmere blazer where "the product could not be deemed a cashmere-blend garment" without cashmere, a domain name does not have to be available to be deemed a domain name.

Verisign's purported evidence of materiality does not relate to whether or not a consumer is likely to make a purchasing decision based on an XYZ statement. For monetary relief, materiality requires evidence of actual deception, and for injunctive a plaintiff must present evidence that statements have a tendency to deceive. *See Pizza Hut,* 227 F.3d at 497. The evidence Verisign attempts to proffer—XYZ's own assessments, and the nature and extent of its marketing—do not indicate whether a consumer would be deceived. Nor does the "purported unavailability of <.com> names" speak to consumer deception. And the so-called "industry and consumer response" is not based on testimony, but rather hearsay emails and articles never properly introduced below.

"As this court has repeatedly held, issues raised for the first time on appeal generally will not be considered." *Muth v. United States*, 1 F.3d 246, 250 (4th Cir. 1993) (citations omitted). In its opposition to summary judgment, Verisign did not present evidence or argument to support its claim that any XYZ statement was material—the word "materiality" was never mentioned. Verisign may not now, for the first time on appeal, raise factual issues about materiality. And since Verisign has no evidence that XYZ's statements are likely to influence purchasing decisions, the Court should affirm.

2. Verisign failed to present evidence of any consumer likely to be deceived.

A plaintiff must prove deception by extrinsic evidence, unless a statement is literally false. *Scotts*, 315 F.3d at 276. XYZ's statements were not literally false, so Verisign must show that an advertisement tends to mislead or confuse consumers. *Id.* This "is most often proved by consumer survey data." *Id.* Although this Court noted that "full-blown consumer surveys" are not required at the *preliminary injunction* stage, even at that early phase a movant must produce sufficient actual evidence rather than conclusion or speculation.

Id. The deception must impact a substantial segment of its audience. *Id.* at 278, 280.

Verisign's only evidence of deception is a survey concluding "consumers may or may not differentiate between 'purchased' and 'unpurchased' domain names." (JA 841.) Verisign argues that its survey identifies 63% of respondents who were deceived about XYZ's domain-name registration claims. But it measured only one of 62 statements, and only whether consumers believed that <.xyz> domain-name registrations were purchases. As the district court noted, whether consumers differentiate between purchased and unpurchased registrations "does not show deception on the part of the Defendants." (JA 841.)

Verisign's authority—*Novartis Consumer Health*, 290 F.3d at 594 and *Sara Lee Corp. v. Kayser-Roth Corp.*, 81 F.3d 455, 466–67 & n.15 (4th Cir. 1996)—is inapposite. Those cases hold that a 10–20% threshold of consumer confusion about a material fact establish consumer confusion. But the survey here does not evaluate whether consumers were confused about a material fact—only whether consumers can identify if a domain name was purchased. Without evidence of deception, the Court should affirm summary judgment on this element alone.

D. Verisign failed to show that XYZ's statements proximately caused it injury, and harm cannot be presumed.

Perhaps most striking about this false advertising case—concerning <.com> domain names—is <.com> sales increased after the alleged false statements. XYZ did not cause Verisign any harm.

A unanimous Supreme Court addressed the proximate-cause requirement for Lanham Act false advertising. Under *Lexmark International Inc. v. Static Control Components, Inc.*, a plaintiff must prove "economic or reputational injury flowing directly from the deception wrought by the defendant's advertising; and that that occurs when deception of consumers causes them to withhold trade from the plaintiff." 134 S. Ct. 1377, 1391 (2014). This Court recently reinforced the Supreme Court's conclusion that a false-advertising plaintiff "cannot obtain relief without *evidence* of injury proximately caused by [the defendant's] misconduct." *Belmora LLC v. Bayer Consumer Care AG*, No. 15-1335, 2016 WL 1135518, at *10 (Mar. 23, 2016) (emphasis in original).

Verisign presented no evidence of the causal nexus necessary to proceed to trial—that any XYZ statement caused consumers to withhold trade from Verisign. Verisign has no customer testimony, no documented cases of actual confusion which diverted sales, and no survey measuring whether consumers are likely to withhold trade.

1. The district court did not abuse its discretion by rejecting Kindler's unsupported expert testimony about diversion of <.net> sales.

Verisign relies heavily on its damages expert, Lauren Kindler, to show XYZ's statements—mostly addressing <.com> domain names—caused a decline in <.net> registrations. But the trial court was within its discretion in excluding Kindler's testimony.

The district court determines whether expert testimony is admissible. Fed. R. Evid. 104(a). The plaintiff bears the burden of establishing an expert witness's proffered testimony is admissible under Federal Rule of Evidence 702. *See Cooper*, 259 F.3d at 199 (citing *Daubert*, 509 U.S. at 592 n.10). A district court should exclude expert testimony based on speculative assumptions not supported by the record. *Tyger Constr. Co. v. Pensacola Constr. Co.*, 29 F.3d 137, 142 (4th Cir. 1994).

The district court noted that while "Kindler's qualifications are not in dispute, her methods in reaching this conclusion are questionable." (JA 843.) Kindler offered no causation analysis other than the correlation in time between XYZ's statements and the <.net> registration dip. Kindler's assumption that all sales were due to false advertising was a mere guess. That is the "fatal flaw" this Court called out in *PBM Prods.*, 639 F.3d at 122 ("The fatal flaw in Mead Johnson's economic information was that its expert assumed that every sale PBM made was attributable to the 'compare to' statement on the product."). And as scientists, philosophers, and courts have long observed, correlation is not causation and speculation is not evidence. In the post-*Lexmark* world, no *assumption* of causation can exist.

In a supplemental report, Kindler claims that [redacted] (SA 968.) [redacted] (SA 1250.) But Kindler does not tie that statement or any other conclusion in her expert report to "economic or reputational injury."

The district court recognized the key flaw in Kindler's method—she had no evidence that the allegedly false statements about <.com> *caused* the decline in <.net> registrations. (JA 843.) For that reason, the district court did not abuse its discretion by excluding Kindler's testimony.

2. Verisign has no evidence of reputational harm.

The district court correctly found that Verisign has no evidence of harm to goodwill. (JA 843–44.) Verisign claims evidence of harm is not required, because a false comparative-advertising campaign presumptively harms goodwill. But just as Verisign may not rely on a presumption to show economic damage, it may not rely on a presumption to show harm to goodwill. *E.g., Scotts*, 315 F.3d at 273–74; *see also Belmora*, 2016 WL 1135518 at 10 ("it cannot obtain relief without *evidence* of injury proximately caused).

Verisign suggests it should have been able to present testimony at trial from its own marketing employee, Scott Schnell, about his opinion that Verisign suffered harm to goodwill. Verisign did not disclose Schnell as an expert, and he was therefore ineligible to provide opinion testimony. Fed. R. Evid. 702. Schnell's proffered testimony contains no admissible facts. He relies entirely on his inadmissible lay opinion and unsupported conclusions that Verisign lost goodwill.

Verisign cites *Wilkins v. Montgomery*, 751 F.3d 214, 220 (4th Cir. 2014) and *Groupe SEB USA, Inc. v. Euro-Pro Operating LLC*, 774 F.3d 192, 196–97, 205–06 (3d Cir. 2014). In *Wilkins*, this Court affirmed excluding an improperly-disclosed expert witness, and should do the same here. In *Groupe*

SEB, the Third Circuit affirmed a trial-court finding that a marketing employee's opinion testimony was credible at the preliminary injunction phase. But at preliminary injunction, a party is not required to disclose a witness as an expert or produce an expert report. The court below excluded Schnell's testimony at summary judgment, long after the expert-disclosure deadline. Verisign did not disclose an expert on this issue, and thus may not rely on Schnell's opinion. The trial court did not judge Schnell's credibility. Rather, it noted "Plaintiff does not proffer evidence beyond their subjective belief that Defendants' statements caused harm." (JA 844.)

3. The alleged "corrective advertising" was not reasonably responsive to any XYZ statement, and disgorgement is not available without causation.

Verisign does not dispute <.com> sales increased after the alleged false statements. Yet it claims XYZ's statements about <.com> forced Verisign to place "corrective advertising," costing Verisign nearly [redacted] on its #InternetOfficial contest. (Brief at 56–57.) To recover those costs, Verisign should show that (1) XYZ's statements created a likelihood of confusion or damage to sales, profits, or goodwill; (2) the corrective-advertising expenses were incurred due to those statements; and (3) the expenses were reasonable under the circumstances and proportionate to the damage that was likely to occur. *See Balance Dynamics Corp. v. Schmitt Indus., Inc.*, 204 F.3d 683, 690–93 (6th Cir. 2000). Verisign cannot clear these hurdles.

First, Verisign has no evidence showing that XYZ's statements damaged Verisign's sales, profits, or goodwill. Verisign claims it suffered lost <.net> sales, yet the corrective advertising it used was a contest designed to promote <.com>—a different product entirely. Verisign's decision to spend [redacted] on a contest to promote its <.com> product which never suffered lost sales, while completely ignoring <.net>, was not a reasonable response.

Second, Verisign's only evidence that the contest was responsive to XYZ's statements is the self-serving testimony of Verisign executives. The documents relating to the contest never mention XYZ, Negari, or XYZ's statements. [redacted] (SA 673–75.) [redacted] (SA 1202, 1204.)

Relying on *Merck Eprova AG v. Gnosis S.p.A.*, 760 F.3d 247, 262 (2d Cir. 2014), Verisign argues that even without evidence of causation, it is entitled to disgorgement damages. (Brief at 59.) *Merck Eprova* was argued before *Lexmark*, and did not cite *Lexmark*. And in *Merck Eprova*, the Second Circuit presumed harm because the district court's findings of literal falsity and willful deception were not challenged, and the parties were direct competitors in a two-player market. 760 F.3d at 262. Unlike in *Merck Eprova*, harm to Verisign cannot be presumed. XYZ's statements are not literally false and Verisign has no evidence of deception. The domain-name market has far more than two players, with over 600 domain extensions. Since Verisign is not entitled to a presumption of harm, and has no evidence of harm, the Court should affirm.

4. Verisign may not rely on a presumption of irreparable harm to support its claim for injunctive relief because the Supreme Court rejected the presumption.

Verisign argues it is entitled to a presumption of irreparable harm to support injunctive relief. Verisign suggests harm to goodwill and reputation can be presumed in a Lanham Act case "based on a defendant's false and disparaging statements about a competitor." (Brief at 61.) But the Supreme Court held that an injunction "based only on a possibility of irreparable harm is inconsistent with our characterization of injunctive relief as an extraordinary remedy that may only be awarded upon a clear showing that the plaintiff is entitled to such relief." *Winter v. Natural Res. Def. Council, Inc.*, 555 U.S. 7 at 22 (2008); *see also eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 393–94 (2006).

In *Winter*, the Court held a party seeking a preliminary injunction must demonstrate a "likelihood" of irreparable injury, rather than the "possibility" approved by the lower court. *Winter*, 555 U.S. at 21. Verisign asks this Court to simply ignore *Winter* and require *no* showing of injury. Similarly, in *eBay*, the Supreme Court required every injunction-seeker to comply with the four-part test requiring *proof* of irreparable harm. *eBay*, 547 U.S. at 391. The Court explained why a presumption should not exist in the patent and copyright context, which applies equally to the Lanham Act. *Id.* An injunction is an equitable remedy only applied in extreme circumstances because it severely curtails the rights of an enjoined party.

Verisign relies on a string of pre-*eBay* and *Winter* cases about a presumption of harm for injunctive relief—those cases are no longer good law. (Brief at 60–61 (citing *C.B. Fleet Co. v. SmithKline Beecham Consumer Healthcare, L.P.*, 131 F.3d 430, 434 (4th Cir. 1997); *McNeilab, Inc. v. Am. Hom. Prods. Corp.*, 848 F.2d 34, 38 (2d Cir. 1988); *Southland Sod Farms v. Stover Seed Co*, 108 F.3d 1134, 1146 (9th Cir. 1997); *Porous Media*, 110 F.3d at 1336.

The two cases Verisign cites that post-date *eBay* and *Winter* do not support Verisign's claim to a presumption. In *Groupe SEB*, the court based its decision on proof—not a presumption—of harm. "By finding that SEB established a likelihood of irreparable harm, we are not connecting these facts using a veiled presumption of irreparable harm." *Groupe SEB*, 774 F.3d at 205.

The only two circuit courts considering this issue held that *eBay* and *Winter* also apply to injunctive relief in Lanham Act cases. *See Ferring Pharm., Inc. v. Watson Pharm., Inc.*, 765 F.3d 205, 216–17 (3d Cir. 2014) ("[W]e hold that there is no presumption of irreparable harm afforded to parties seeking injunctive relief in Lanham Act [false-advertising] cases."); *Herb Reed Enters., LLC v. Fla. Entm't Mgmt., Inc.*, 736 F.3d 1239, 1249 (9th Cir. 2013) ("the *eBay* principle—that a plaintiff must establish irreparable harm—applies to a preliminary injunction in a [Lanham Act] trademark infringement case.").

Verisign cannot support its claim for injunctive relief based on a presumption of harm. The district court correctly held that Verisign "has not shown any evidence of irreparable harm to Plaintiff's reputation or goodwill." (JA 844.)

CONCLUSION

Verisign lacks evidence that any XYZ statement meets all five elements necessary to prove false advertising under the Lanham Act. The Court should affirm.

Dated: April 4, 2016

Respectfully submitted,

/s/ Derek A. Newman

Derek A. Newman
NEWMAN DU WORS LLP
100 Wilshire Blvd., Suite 940
Santa Monica, California 90401
(310) 359-8200

Counsel for Defendants–Appellees XYZ.com LLC and Daniel Negari

CERTIFICATE OF COMPLIANCE

Counsel for Defendants–Appellees hereby certifies that:

1. The brief complies with the type-volume limitation of Federal Rule of Appellate Procedure 32(a)(7)(B)(i) because, exclusive of the exempted portions, it contains 10,865 words as counted by the word-processing program used to prepare the brief; and

2. The brief complies with the typeface requirements of Federal Rule of Appellate Procedure 32(a)(5) and the type-style requirements of Federal Rule of Appellate Procedure 32(a)(6) because it has been prepared using Microsoft Office Word 2016 in a proportionally spaced typeface: Equity Text B, font size 14.

Dated: April 4, 2016

/s/ Derek A. Newman
Derek A. Newman

Counsel for Defendants–Appellees
XYZ.com LLC and Daniel Negari

CERTIFICATE OF SERVICE

I hereby certify that I filed the foregoing Response Brief for Appellees with the Clerk of the United States Court of Appeals for the Fourth Circuit via the CM/ECF system. I certify that I have confirmed that counsel for Appellant Verisign, Inc. are registered CM/ECF users. Service on Appellant's counsel will be accomplished by the CM/ECF system, which will send notification of this filing to:

Ronald L. Johnston
ARNOLD & PORTER LLP
777 South Figueroa Street
Los Angeles, CA 90017
(213) 243-4000
Ronald.Johnston@aporter.com

Lisa S. Blatt
Robert N. Weiner
Robert DeRise
Elisabeth S. Theodore
ARNOLD & PORTER LLP
601 Massachusetts Ave., NW
Washington, DC 20001
(202) 942-5000
Lisa.Blatt@aporter.com
Robert.Weiner@aporter.com
Robert.DeRise@aporter.com
Elisabeth.Theodore@aporter.com

Additionally, I certify that, pursuant to written agreement, I caused electronic service of this filing to the counsel listed above.

Dated: April 4, 2016

/s/ Derek A. Newman
Derek A. Newman

Counsel for Defendants–Appellees XYZ.com LLC and Daniel Negari