

**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK**

<p>MARTIN RAPAPORT, RAPAPORT USA, INTERNET DIAMOND EXCHANGE, LLC and DIAMONDS.NET LLC,</p> <p style="text-align: center;">Plaintiffs,</p> <p>vs.</p> <p>IDEX ONLINE, LTD., IDEX ONLINE S.A., IDEX ONLINE ISRAEL, LTD., JOHN DOES I-XX, and ROE CORPORATIONS I-XX ,</p> <p style="text-align: center;">Defendants.</p>	<p>CIVIL ACTION NO. 04-06626 (RJH)</p>
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**PLAINTIFFS' MEMORANDUM OF LAW
IN OPPOSITION TO IDEX'S MOTIONS TO AMEND AND
SUPPLEMENT THE COUNTERCLAIMS AND COMPEL PRODUCTION**

Ronald D. Coleman (RC 3875)
GOETZ FITZPATRICK LLP
One Penn Plaza—Suite 4401
New York, New York 10119
(212) 695-8100
rcoleman@goetzfitz.com

Michael A. Charish (MC 3377)
Melinda Spitzer
1430 Broadway—Suite 1615
New York, New York 10018
(646) 328-0786
michael.charish@outsidecounsel.net

Attorneys for Plaintiffs

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PRELIMINARY STATEMENT

Plaintiffs Martin Rapaport, Rapaport USA and Internet Diamond Exchange, LLC (collectively “Rapaport”) submit this brief in opposition to the motions of defendants-counterclaimants IDEX Online Israel (2003 Ltd.) and IDEX Online USA (collectively “IDEX”) to amend and supplement their counterclaims and to compel additional document production.

This case fundamentally is based on IDEX’s infringement and misuse of Rapaport’s registered INDEX® trademark and its valuable proprietary diamond pricing data. The last pleading was filed two years ago. Fact discovery closed nearly a year ago and the Court has already denied two IDEX requests to reopen discovery. The most recent scheduling order set a date for the filing of dispositive motions in March 2008. That last deadline was, on IDEX’s application, lifted by the Court to allow IDEX time for belated, so-called “expert discovery.”

That “expert discovery” resulted in two dubious achievements: One, the submission of an IDEX expert report that amounted to a paid endorsement of yet another application by IDEX for yet more discovery. And two, this motion to amend the pleadings, which attempts to bootstrap these “expert” speculations into a basis to insert, as amended counterclaims, new antitrust claims styled, contrary to all precedent, as claims for “unfair competition.” As if this were not enough, IDEX also seeks to introduce new trademark counterclaims, objectively unrelated to any aspect of this case that has been *sub judice* since 2003, based on alleged acts by Rapaport claimed to have taken place months earlier, and premised on the existence of an alleged “trademark” in the plain English phrase “guaranteed diamond transactions.” This is a phrase that the U.S. Patent and Trademark Office has already recognized, in declining three separate applications for registration by IDEX, cannot possibly be a trademark.

As demonstrated below, the Court should deny IDEX leave to assert these new trademark counterclaims for two reasons: First, the addition of these unrelated claims would inflict great inconvenience and undue prejudice on Rapaport by materially increasing the cost and delay in

this litigation. *See infra* Point I. Second, the counterclaims are futile because they fail to state claims for trademark infringement or misappropriation, given that GUARANTEED DIAMOND TRANSACTIONS is not a protectable mark as a matter of law. *See infra* Points II.B., II.C.

Furthermore, IDEX's proposed amendments to its unfair competition counterclaim are futile because they contradict controlling precedent holding that unfair competition is not a catchall tort. *See infra* Point II.A. And IDEX's motion to compel should be denied because it is untimely, procedurally deficient, and just plain wrong in accusing Rapaport of shirking its discovery obligations. *See infra* Point III.

If IDEX's motions were granted, the result would be to propel a case already overdue for resolution into yet another cycle of wasteful litigation. In denying IDEX's Rule 11 sanctions motion, the Court stated that it "expects that with the current batch of procedural motions resolved, this case will move expeditiously toward judgment." *See* Memorandum Order dated December 18, 2008. The only way to move this case expeditiously toward judgment is to deny IDEX's motions.

STATEMENT OF RELEVANT FACTS AND PROCEDURAL HISTORY

Rapaport originally filed this action in the U.S. District Court for the District of Nevada on December 4, 2003 and thus this action has now passed the five-year mark. The docket sheet for this case in this District now contains 132 entries. The costs incurred and delays suffered by Rapaport in that time, including the harm incurred by its inability to achieve judicial resolution regarding its original, core trademark claim, have been enormous.

Following the September 28, 2006 conference in which this Court granted Rapaport leave to file the Fifth Amended and Supplemented Complaint,¹ this litigation has crawled. IDEX filed

¹ It is literally correct that Rapaport amended the pleadings on five occasions, but with the exception of the last amendment, all but the present Fifth Amended Complaint were filed for technical reasons and involved no substantive changes. IDEX, for its part, has filed two answers and counterclaims as well as two motions to dismiss Rapaport's complaint, and is now proposing

its Amended Answer and Counterclaims on December 19, 2006—two years ago. Fact discovery took approximately a year to complete, spawned numerous letters to the Court, conferences, and motions, and finally ended in March 2008. All this was pursuant to a comprehensive scheduling order dated December 18, 2007, in which the Court ordered an immediate end to fact discovery and set a March 31, 2008 deadline for dispositive motions.

Eager to move this case toward a resolution, through early 2008 Rapaport invested heavily in preparing its summary judgment motion. Significantly, during that period, the Court, by order dated February 7, 2008, denied a motion by IDEX to extend the end of fact discovery. Only ten days before the deadline, however, IDEX again requested that the Court scuttle the case schedule, arguing that it could not proceed with summary judgment motions until it digested financial information produced by Rapaport and conducted expert discovery related to new, unpled antitrust theories. *See* IDEX March 21, 2008 letter to the Court. Rapaport opposed that request, but the Court granted an adjournment and set new deadlines for expert discovery on antitrust issues. *See* Order dated April 15, 2008.

Meanwhile, in an action that appeared completely unrelated to the issues joined in this case years ago, on April 14, 2008, IDEX filed an application with the U.S. Patent and Trademark Office (the “PTO”) to register the phrase GUARANTEED DIAMOND TRANSACTIONS (or “GDT”) as a trademark.² Subsequently, in a letter dated May 29, 2008, IDEX urgently requested the Court to schedule a conference to address allegations that Rapaport was about to “infringe” IDEX’s “trademark.” IDEX sought leave to move for preliminary injunctive relief, to add

yet another amendment to its pleadings. Significantly however, all of Rapaport’s “amendments” took place before discovery had even commenced, so there is no serious ground for suggesting that Rapaport’s amendments delayed these proceedings in any material respect.

² There were three applications, actually: Two were for the GDT phrase covering, respectively, different classes of goods and services (serial numbers 77447714 and 77447019), and one was for the design/word mark WWW.IDEXONLINE.COM GUARANTEED DIAMOND TRANSACTIONS (serial number 77448833, filed a day later, hereinafter the “April 15th Application”).

counterclaims based on its GDT claims, and—not surprisingly—reopen discovery. In a letter endorsement dated May 30, the Court denied all these requests, including, for the second time last year, the request by IDEX to reopen discovery.

Meanwhile, in a written decision dated August 4, 2008 that should have resolved the GDT “issue,” the PTO refused to register GUARANTEED DIAMOND TRANSACTIONS on the obvious basis, *inter alia*, that the phrase was “merely descriptive.” See Office Actions (the “PTO Refusals”), attached hereto as Exhibit A.³ IDEX was given six months to respond to the office action to avoid abandonment. To date, IDEX has not responded to the PTO’s refusal to register the GDT trademark applications.

On August 20, 2008, after the conclusion of “expert discovery,” Rapaport asked the Court to schedule a prompt date for dispositive motions. Rapaport noted that IDEX’s justification for not filing dispositive motions back in March 2008—IDEX’s claimed need for “expert discovery” on its antitrust theories—turned out to be a red herring: Paul Hinton, IDEX’s proffered expert, testified at his deposition that his “expert report” offered no expert opinion at all, but was “preliminary,” and that he needed “additional information”—i.e., yet another bite at the discovery apple—to determine if he could even render an opinion. See Plaintiffs’ August 20, 2008 letter to the Court.⁴ IDEX replied that it intended to file a motion to amend its

³ The April 15th Application was refused on the ground that it was likely to be confused with IDEX’s own WWW.IDEXONLINE.COM registration, which it construed as being owned by a different entity from the applicant. As to the part of the mark utilizing the words “GUARANTEED DIAMOND TRANSACTIONS,” the PTO required a disclaimer of that phrase as part of any amendment of the application, “because it merely describes a feature of the applicant’s services.” See the PTO Refusals, Exhibit A.

⁴ IDEX’s admission that the expert report it stopped this case to generate offered no expert opinion placed IDEX in violation of Fed. R. Civ. P. 26(a)(2)(B), but it is not surprising that it is backing away from the report. Rapaport’s rebuttal expert, Dr. Michael A. Salinger, Professor of Economics at the Boston University School of Management and former Director of the Bureau of Economics at the Federal Trade Commission, demonstrates that the Hinton submission does not even approach the standards of reliability in the economics profession required for it to be

counterclaims and yet another motion to compel additional document production, and opposed Rapaport's request to move forward with summary judgment. See IDEX's August 26, 2008 letter to the Court. On August 28, 2008, the Court ordered IDEX to file its motions, and that a summary judgment briefing schedule would be set thereafter.

On September 8, 2008, IDEX filed the instant motions to amend and to compel. IDEX seeks leave to "expand the pleading" of the counterclaim for New York common-law unfair competition (filed two years ago) to include additional allegations in support of new antitrust theories, including new allegations that Rapaport has engaged in: frivolous litigation; prohibiting competitors from referring to proprietary *Rapaport Price List* information; and "predatory bundling" of the RapNet online service with the *Rapaport Diamond Report* magazine. In addition, IDEX seeks to introduce three new counterclaims (Counts Seven, Eight, and Nine), unrelated to the litigation that has taken place in this case since 2003, for trademark infringement, unfair competition, and misappropriation in connection with the GDT "mark" already deemed no trademark at all by the PTO. While IDEX's papers rely in no small part on its trademark applications for GDT, they conceal the fact that, by the time they were filed, the PTO had **already denied all three trademark registration applications**. Accompanying IDEX's motion to amend is a motion to compel in which IDEX complains, meritlessly and belatedly, that Rapaport has not complied with the Court's February 7, 2008 disclosure order.

ARGUMENT

I. **JUSTICE REQUIRES REJECTION OF THE PROPOSED GDT COUNTERCLAIMS, WHICH WOULD CAUSE INCONVENIENCE AND UNDUE PREJUDICE.**

The Court should deny IDEX leave to tack a new, factually unrelated and meritless lawsuit onto this rapidly aging litigation. While leave to amend a pleading pursuant to Fed. R.

admissible under *Daubert v. Merrell Dow Pharmaceuticals*, 509 U.S. 579 (1993). See Rebuttal Report of Michael A. Salinger, submitted herewith as Exhibit B.

Civ. P. 15(a) “shall be freely given when justice so requires,” it is “by no means automatic.” *Lyondell-Citgo Refining, LP v. Petroleos De Venezuela, S.A.*, 2005 WL 883485, at *4 (S.D.N.Y. Apr. 14, 2005). A court has “broad” discretion in deciding whether to grant leave to amend and need not allow the amendment where, as here, there has been undue delay, bad faith, the amendment would be futile, or it would unduly prejudice the opposing party. *See Gucci America, Inc. v. Exclusive Imports Int’l.*, 2001 WL 21253, at *5-*6 (S.D.N.Y. Jan. 9, 2001).

Where, as here, a party seeks to amend its pleading by adding a counterclaim, the governing rule is Rule 13(e) (not Rule 15, as IDEX erroneously asserts), which provides: “The court may permit a party to file a supplemental pleading asserting a counterclaim that matured or was acquired by the party after serving an earlier pleading.” *See, e.g., Tommy Hilfiger Licensing, Inc., v. Bradlees, Inc.*, 2001 WL 1702151, at *4 (S.D.N.Y. Jan. 11, 2002); *Gucci America*, 2001 WL 21253, at *6. This distinction is not academic. Although the standard under both provisions is “substantially similar” (*see, e.g., Gucci America*, 2001 WL 21253, at *6), courts weighing amendments under Rule 13(e) also consider whether the counterclaim “will cause inconvenience.” *See Wright & Miller*, 6 *Fed. Prac. & Proc.* 2d § 1428 (2008); *see also Tommy Hilfiger Licensing*, 2001 WL 1702151, at *6. As this Court has stated: “[T]he very reason that a court’s permission is required under Rule 13(e) to add new counterclaims is that **the very course of the litigation may be unduly disrupted if new claims are belatedly injected; in that case permission will be denied and the defendant can bring his claim as an independent lawsuit.**” *Tommy Hilfiger Licensing*, 2001 WL 1702151, at *6 (emphasis added). Whether IDEX’s proposed GDT counterclaims are measured by the Rule 13(e) standard of inconvenience or the Rule 15 standard of undue prejudice, however, the result is the same: they cannot pass muster.

A. The GDT counterclaims fail under Rule 13(e) because they would cause great inconvenience.

Where a counterclaim “does not arise from the same transaction or occurrence as the plaintiff’s claims” and is thus “not particularly relevant,” courts “may properly conclude that such a claim should be brought in a separate proceeding.” *Tommy Hilfiger Licensing*, 2001 WL 1702151, at *7 (collecting cases). This reasoning applies with particular force where, as here, the counterclaim is advanced at a late date in the proceeding and injects new issues that would require additional discovery and delay resolution of the action. *See, e.g., BPW Rhythmic Records, L.L.C. v. CDNOW, Inc.*, 2000 WL 1512620, at *1 (S.D.N.Y. Oct. 12, 2000).

For example, in *Gucci America*, the plaintiff filed a trademark infringement claim based on the sale and distribution of counterfeit Gucci watches. *See* 2001 WL 21253, at *1. During discovery (and without seeking leave of court), the defendants filed an amended answer including new antitrust counterclaims. *Id.* at *5-*6. The Court struck the antitrust counterclaims of two defendants with prejudice, because they were “factually remote” from Gucci’s counterfeiting claim. *Id.* at *6-*7. The Court noted that, as is the case here, there had been numerous discovery disputes that had already lengthened the discovery period substantially and that any new antitrust discovery would only delay the case further. *Id.*

Similarly, IDEX’s proposed GDT counterclaims are factually remote from the subject matter of this litigation and have no place here. Two fact issues have been the subject of discovery: (1) whether IDEX infringed plaintiffs’ INDEX® trademark by the use of “IDEX” and (2) IDEX’s use of plaintiffs’ proprietary *Price List* data. The proposed GDT claims do not relate to those issues. On the contrary, all three of the proposed counterclaims relate exclusively to events that took place in May 2008, well after the close of the pleadings and discovery.

Neither are the GDT counterclaims pertinent to IDEX’s current counterclaims. IDEX’s

speculation that Rapaport's use of the phrase "guaranteed diamond transactions" is part of a conspiracy to harm IDEX in some broad sense does not meet the legal standard of relatedness: The GDT counterclaims involve different inquiries, different time frames, and a completely separate set of facts. They would unduly disrupt the course of these proceedings in which fact discovery has long been closed, and they belong (if anywhere) in a separate lawsuit. This is especially true in light of the numerous discovery disputes that have delayed this case and the substantial prejudice to plaintiffs in allowing new claims at this late stage, after discovery has long ended. *See BPW Rhythmic Records*, 2000 WL 1512620, at *1; *Gucci America*, 2001 WL 21253, at *6. As this Court ruled in denying leave to assert a late counterclaim in *Deere & Co. v. MTD Holdings, Inc.*, this litigation is **"too far along in the process to add new issues and legal claims, which would lead to additional discovery further delaying the ultimate disposition of this case."** 2003 WL 22439778, at *5 (S.D.N.Y. Oct. 28, 2003) (emphasis added). Thus on grounds of inconvenience alone the Court should deny the proposed amendments.

B. The GDT counterclaims fail under Rule 15 because they would unduly prejudice plaintiffs.

The criteria for gauging prejudice arising from a late pleading amendment are (i) whether the opponent would have to expend significant additional resources to defend against the new claims; (ii) delay of the litigation; and (iii) whether the movant has an alternate forum. *Block v. First Blood Assoc.*, 988 F.2d 344, 350 (2d Cir. 1993). Delay is "[o]ne of the most important considerations." *Krumme v. Westpoint Stevens Inc.*, 143 F.3d 71, 88 (2d Cir. 1998); *accord, Lyondell-Citgo Refining, LP v. Petroleos De Venezuela S.A.*, 2004 WL 2650884, at *1 (S.D.N.Y. Nov. 22, 2004). In particular, an amendment is "highly prejudicial" where, as here, discovery has long been completed. *Cramer v. Fedco Automotive*, 2004 WL 1574691, at *2 (W.D.N.Y. May 26, 2004) (denying leave to amend).

IDEX cites no case of a court allowing a pleading amendment half a decade after a case

was filed, almost a year after discovery has closed and after two previous denials by the Court of requests to reopen it. To the contrary, in at least two cases on point, this Court has denied leave to amend because of prejudice to the opposing party far earlier. In *Credit Suisse First Boston LLC v. Coeur d'Alene Mines Corp.*, 2005 WL 323714 (S.D.N.Y. Feb. 10, 2005), discovery had not closed and the case had been pending for just over a year. *Id.* at *3. Yet the Court found that the plaintiff would suffer undue prejudice if leave were granted because the new counterclaims “would require an extension of the discovery period, force plaintiff to reassess its discovery strategy, and likely lead to additional discovery expenditures for plaintiff,” and that “the addition of five counterclaims at this advanced stage of discovery, and the potential motion practice related thereto, could significantly delay the resolution of this dispute . . .” *Id.* at *3, *5.

Similarly, in *H.L. Hayden Co. of New York v. Siemens Medical Systems, Inc.*, 112 F.R.D. 417 (S.D.N.Y. 1986), plaintiffs requested leave to add a defendant two months after discovery closed and the filing of dispositive motions. The Court found that the amended pleading would “substantially” and “needlessly” delay resolution of the two-year-old litigation. It dismissed as disingenuous the argument that the new claim required “no additional substantive discovery,” and rejected the suggestion any such discovery would be accomplished “smoothly or expeditiously.” *Id.* at 419. Because the defendants had a right to an “expeditious determination of their claims” and “an interest in avoiding additional costly discovery and motion practice,” the Court held that further delays “would not be in the interest of justice.” *Id.* at 420-421.

Here there is no serious question but that, if permitted, the GDT counterclaims would force Rapaport to incur significant additional expenses for discovery and trial preparation, because not a single aspect of the discovery that has already taken place in this litigation sheds light on the GDT claims. The history in this case guarantees that discovery on the GDT claims will consume more “significant additional resources” and, as in *H.L. Hayden*, would not proceed

“smoothly or expeditiously.”⁵ This new round of discovery would be both costly and time-consuming, assuredly tacking another six months or more to this litigation and pushing argument of dispositive motions toward a date **six years after the case was filed**. For its part, IDEX will suffer no prejudice by denial of leave because it can bring the GDT counterclaims in a separate proceeding, unimpeded by *res judicata*, the statute of limitations, or any other apparent bar. Accordingly, consideration of the *Block* factors decisively demonstrates that Rapaport would be unduly prejudiced by addition of the GDT Counterclaims at this late stage of the litigation.

II. IDEX’S PROPOSED AMENDMENTS ARE FUTILE.

If a proposed amendment is futile, the Court should deny it. *See, e.g., Lucente v. International Bus. Mach. Corp.*, 310 F.3d 243, 258, 260 (2d Cir. 2002) (reversing eleventh-hour, futile amendment as an abuse of discretion). An amendment is futile “if the proposed claim could not withstand a motion to dismiss pursuant to Fed. R. Civ. P. 12(b)(6).” *Id.* at 258. Last year in *Bell Atlantic Corp. v. Twombly*, 127 S. Ct. 1955, 1964-65 (2007), the Supreme Court raised the bar for withstanding a Rule 12(b)(6) motion to dismiss, requiring that actual allegations “raise a right to relief above the speculative level on the assumption that all the allegations in the Complaint are true (even if doubtful in fact).” *Twombly*, 127 S. Ct. at 1965 (internal citations omitted); *see, e.g., Atrium Group De Ediciones Y Publicaciones, S.L., v. Harry N. Abrams, Inc.*, 565 F. Supp. 2d 505, 508 (S.D.N.Y. 2008). A complaint must satisfy “a flexible plausibility standard, which obliges a pleader to amplify a claim with some factual allegations in those contexts where such amplification is needed to render the claim plausible.” *Iqbal v. Hasty*, 490 F.3d 143, 157-58 (2d Cir. 2007) (internal citations and quotes omitted).

As demonstrated below, IDEX’s proposed trademark counterclaims based on the

⁵ IDEX trivializes the amount of discovery the GDT claims would require by asserting that the relevant documents “should take less than a month to gather” and that it “does not foresee the need for additional depositions.” *See* IDEX Br. at 4, 15.

GUARANTEED DIAMOND TRANSACTIONS “trademark” are futile because it is not a trademark. IDEX does not plead facts sufficient to state a plausible claim that it is entitled to protection for that phrase. And IDEX’s proposed amendments to its Third Counterclaim are futile because the theories they embody are not actionable as unfair competition under New York law.

A. The tort of unfair competition is not a catchall for any conceivable species of unwelcome competitive business practice.

IDEX’s supplemental allegations do not state a claim for unfair competition under New York law. IDEX’s unfair competition counterclaims allege that Rapaport has engaged in frivolous litigation, preventing competitive use of **its own** proprietary *Rapaport Price List*, and “predatory bundling” of their RapNet service with the *Rapaport Diamond Report* magazine. *See* IDEX Br. at 13. By insisting that unfair competition is a catchall claim for any “commercially immoral” conduct (*see* IDEX Br. at 11-14), IDEX ignores controlling precedent requiring that such a claim must allege the bad-faith misappropriation of a property interest. Nothing in IDEX’s hodgepodge of allegations concerns **misappropriation of IDEX property**. Absent such allegations, IDEX’s proposed pleadings are legally insufficient.

There is nothing debatable about the law in this area. In *Ruder & Finn Inc. v. Seaboard Surety Co.*, 52 N.Y.2d 663 (1981), the New York Court of Appeals drew the limits of how “creatively” claimants and courts could utilize this tort claim, holding that “**the definition of ‘unfair competition’ does not have boundless application as a remedy for unfair trade practices.** Rather ... the primary concern in unfair competition is the protection of a business from another’s **misappropriation of the business’ organization or its expenditure of labor, skill, and money.**” *Id.* at 671 (emphasis added). The Second Circuit has applied the same limiting principle to unfair competition claims and decisively rejected IDEX’s catchall theory, opining: “Whatever the breadth and flexibility of such a claim, it depends upon the allegation of

facts that, if true, would constitute **misuse of plaintiffs' property.**" *Dow Jones & Co. v. International Secs. Exchange, Inc.*, 451 F.3d 295, 302 n.8 (2d Cir. 2005). This Court has relied on *Ruder & Finn* to dismiss overreaching counterclaims for unfair competition like IDEX's, holding: "While the tort of unfair competition encompasses more than merely trying to pass off one's goods as those of another, **it is still limited to misappropriation of the skill, expenditures, and labor of another.**" *Gucci America, Inc. v. Duty Free Apparel, Ltd.*, 277 F. Supp. 2d 269, 275 (S.D.N.Y. 2003) (internal quotation marks omitted).

IDEX relies on cases that themselves reinforce this principle. For example, in *Saratoga Vichy Spring Co., Inc. v. Lehman*, 625 F.2d 1037, 1044 (2d Cir. 1980), the Second Circuit rejected "the notion that the only finding necessary is that the defendant's action has been 'unfair,' as the trial judge interprets the term. . . . **The essence of an unfair competition claim under New York law is that the defendant has misappropriated the labors and expenditures of another.**" *Id.* (emphasis added). Similarly, in *Demetriades v. Kaufmann*, the Court's "bedrock premise" was that "notwithstanding the expansive scope of the doctrine . . . a claim of this nature must remain bottomed on the **misappropriation of a property right belonging to another.**" 698 F. Supp. 521, 526 (S.D.N.Y. 1988) (emphasis added).⁶

Taken individually or collectively, **all** of IDEX's proposed amendments to its unfair competition counterclaim are futile because **none** alleges a "misuse of [IDEX's] property" or a misappropriation of IDEX's "skill, expenditures, [or] labor." *See, e.g., Dow Jones*, 451 F.3d at

⁶ IDEX's remaining cases on this issue likewise involved alleged misuses of plaintiffs' clearly identifiable property rights. *See Roy Export Co. v. Columbia Broad. Sys.*, 672 F.2d 1095, 1097 (2d Cir. 1982) (defendant's unauthorized broadcast of plaintiff's film clips); *Electrolux Corp. v. Val-Worth, Inc.*, 6 N.Y.2d 556, 566-69 (1959) (bait-and-switch campaign by defendant involving plaintiff's vacuum cleaners); *LinkCo, Inc. v. Fujitsu Ltd.*, 230 F. Supp. 2d 492, 500 (S.D.N.Y. 2002) (misappropriation of plaintiff's computer software architecture); *Cat's Paw Rubber Co. v. Barlo Leather & Findings Co.*, 12 F.R.D. 119, 120-21 (S.D.N.Y. 1951) (declining to rule on whether allegations that defendant sold plaintiff's rubber products below cost stated a claim for unfair competition).

302 n.8; *Gucci America*, 277 F. Supp. 2d at 275. They allege for instance that Rapaport has conducted frivolous trademark and patent litigation against IDEX. But allegations of frivolous litigation can **never** state an unfair competition claim. In *Bio-Technology General Corp. v. Genentech, Inc.*, 886 F. Supp. 377 (S.D.N.Y. 1995), for example, plaintiff BTG claimed that its competitor, defendant Genentech, failed to perform an adequate pre-filing investigation before suing BTG for patent infringement and issued misleading press releases concerning the patent litigation. This Court dismissed BTG's unfair competition claim, along with its antitrust, abuse-of-process, and other claims, holding: "[N]one of these acts are recognized predicates for an unfair competition claim under New York law." *Id.* at 384.

IDEX also alleges that Rapaport has demanded that subscribers to the *Rapaport Price List* not use the pricing information competitively, turning this tort by complaining about the supposed misuse by Rapaport of **its own** property, skill, expenditures, and labor – not that of IDEX. But, again, "The essence of an unfair competition claim under New York law is that the defendant has misappropriated the labors and expenditures of another," *Saratoga Vichy Spring*, 625 F.2d at 1044, not "misused" one's own property, regardless of the characterization of such "misuse." Similarly, IDEX seeks to add an antitrust claim under this rubric without pleading it as an antitrust claim, although its allegations are that Rapaport has predatorily "bundled" its *RapNet* service by including it in a subscription to the *Rapaport Diamond Report*. Without even addressing the complete lack of merit of IDEX's antitrust claims (*but see supra* n.4), such allegations do not allege misuse of **IDEX's property interests**, but concern the prices Rapaport has charged for **Rapaport's** goods and services.

The Court should put this case back on track by ruling once and for all that IDEX may not assert antitrust claims, or any of its motley collection of complaints, under the rubric of unfair competition.

B. IDEX's proposed trademark infringement counterclaims are futile because the phrase GUARANTEED DIAMOND TRANSACTIONS is not a trademark.

IDEX's proposed counterclaims based on Section 43(a) of the Lanham Act New York common law are infringement claims with identical elements. *Lorillard Tobacco Co. v. Jamelis Grocery, Inc.*, 378 F. Supp. 2d 448, 456 (S.D.N.Y. 2005). Both require allegations of (1) a protectable trademark; and (2) a likelihood of confusion. "[T]he plaintiff must prove that its mark is entitled to protection and, even more important, that the defendant's use of its own mark will likely cause confusion with plaintiff's mark." *Gruner + Jahr USA Publ'g v. Meredith Corp.*, 991 F.2d 1072, 1074 (2d Cir. 1993).

Because GUARANTEED DIAMOND TRANSACTIONS is not a registered trademark, it is entitled to protection only if it otherwise "would qualify for registration as a trademark." *See Star Indus., Inc. v. Bacardi & Co.*, 412 F.3d 373, 381 (2d Cir. 2005). To qualify for registration, "a mark must be sufficiently 'distinctive' to distinguish the registrant's goods from those of others." *Id.* A mark is distinctive and thus protectable if (a) it is "inherently distinctive," such that its "intrinsic nature serves to identify its particular source" or (b) it has acquired a secondary meaning "in the minds of consumers." *See id.*

This alleged trademark has no such distinction. The PTO rejected IDEX's application to register its trademark, finding that GUARANTEED DIAMOND TRANSACTIONS is (at best⁷) merely descriptive. Accordingly, considering that under *Twombly* IDEX must plead facts sufficient to plausibly show that the mark attained secondary meaning before Rapaport allegedly began using it, IDEX's proposed amended counterclaims fail to state a claim for trademark

⁷ Though not a ground of Rapaport's opposition here, GUARANTEED DIAMOND TRANSACTIONS is arguably generic and not protectable under **any** circumstances. "Generic marks are those consisting of words identifying the relevant category of goods or services." *Star Indus.*, 412 F.3d at 385. Indeed GUARANTEED DIAMOND TRANSACTIONS simply identifies the relevant category of services.

infringement, as demonstrated below.

1. Deference to the PTO's refusal to register GUARANTEED DIAMOND TRANSACTIONS as a trademark is appropriate here.

IDEX's motive for concealing the PTO's refusal to register GUARANTEED DIAMOND TRANSACTIONS as a trademark is obvious: A PTO decision refusing to register a trademark "is to be accorded **great weight.**" *Murphy Door Bed Co. v. Interior Sleep Sys., Inc.*, 874 F.2d 95, 101 (2d Cir. 1989) (emphasis added). Therefore, "district courts within the Second Circuit have recognized the great deference owed to decisions by the PTO." *Patsy's Italian Restaurant, Inc. v. Banas*, 508 F. Supp. 2d 194, 207 (E.D.N.Y. 2007) (citing Southern District cases). While not binding on a District Court, even an initial decision of the PTO such as its refusal to register the GDT marks warrants deference. *See, e.g., Sterling Drug, Inc. v. Bayer AG*, 14 F.3d 733, 743 (2d Cir. 1994); *Goya Foods, Inc. v. Tropicana Products, Inc.*, 846 F.2d 848, 853-54 (2d Cir. 1988); *Real News Project, Inc. v. Independent World Television, Inc.*, 2008 WL 2229830, at *9 (S.D.N.Y. May 27, 2008).

Here, the PTO came to the obvious conclusion that the phrase GUARANTEED DIAMOND TRANSACTIONS is no more than "merely descriptive," which as the PTO set forth, means "it describes an ingredient, quality, characteristic, function, feature, purpose, or use of the specified goods or services." *See* PTO Refusal (Exhibit A) at 1. The GDT "mark," the PTO found, "merely describes characteristics of [IDEX's] services," and "the term 'guaranteed' in [IDEX's] mark would ... be perceived for its descriptive significance as guaranteeing the diamond transactions. The remainder of the mark merely describes the type of transactions that are guaranteed." *Id.*⁹ The April 15th Application was denied on other grounds, but as a condition of resubmission the PTO insisted that IDEX "disclaim the descriptive wording '100%

GUARANTEED DIAMOND TRANSACTIONS’ apart from the mark as shown because it merely describes a feature of the applicant’s services. See 15 U.S.C. §1056(a) . . .”

The PTO also denied registration to the GDT applications on numerous other grounds, including that IDEX failed to submit adequate proof of use in commerce. All of these grounds naturally apply to the Court’s determination of futility both insofar as the Court defers to the PTO and otherwise. Because the Court should accord great weight to the PTO’s refusal to register IDEX’s purported trademark, and because the PTO’s decision is so obviously correct, the Court should deem all of the proposed amendments related to the GDT “mark” futile.

2. The phrase GUARANTEED DIAMOND TRANSACTIONS is descriptive as a matter of law.

The phrase GUARANTEED DIAMOND TRANSACTIONS is quintessentially descriptive. “Marks which are merely descriptive of a product are not inherently distinctive. When used to describe a product, they do not inherently identify a particular source, and hence cannot be protected,” absent secondary meaning. *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 769 (1992). A mark is descriptive if it describes the product or service’s “features, qualities, or ingredients in ordinary language.” *Lane Cap. Mgmt. Inc. v. Lane Cap. Mgmt. Inc.*, 192 F.3d 337, 344 (2d Cir. 1999). “Examples of descriptive terms are terms conveying the characteristics of the goods, services, or business, or indicating the purpose, functions, size, quantity, capacity, or merits of a product, the effects of its use, or the class of intended purchasers.” *Papercutter, Inc. v. Fay’s Drug Co.*, 900 F.2d 558, 563 (2d Cir. 1990).

Obviously, GUARANTEED DIAMOND TRANSACTIONS describes the features, qualities, or characteristics of IDEX’s diamond-transaction service in ordinary language. In describing the service in its proposed pleading, IDEX refers to diamond transactions (or “trading”), though, unsurprisingly, omits reference to a “guarantee”: “GUARANTEED DIAMOND TRANSACTIONS™ is a fully automated online **trading** service for loose certified

polished **diamonds**” Prop. Am. CC ¶ 37 (emphasis added). But elsewhere, IDEX touts the “guaranteed” aspect of its service to consumers. Exhibit A to IDEX’s motion papers is its registration application for GDT, attaching a web page from www.idexonline.com. On that web page, IDEX eliminates any possible doubt concerning the descriptiveness of its so-called trademark by advertising that GUARANTEED DIAMOND TRANSACTIONS is a:

Fully automated online **TRADING** service for polished diamonds * **GUARANTEED AVAILABILITY** and door-to-door delivery to buyers * Guaranteed immediate **CASH** payment to sellers . . .

(emphasis in original). IDEX itself uses the words “guaranteed,” “diamonds,” and “trading,” a synonym for “transactions,” to describe the GDT service for which it seeks trademark protection.

The proposed GDT claims recall an earlier diamond-industry case in which this Court rejected an infringement claim relating to a descriptive mark. In *Eugene Biro Corp. v. Empire Diamond Corp.*, plaintiff Biro used the unregistered service mark DIAL-A-DIAMOND SYSTEM for a telephone and computer system that allowed “a wholesale purchaser to obtain the latest price quote of, and/or order, a particular diamond, categorized in the many classes of size, shape, color and degree of clarity, over the telephone, without the need for interaction with a sales person.” 1996 WL 720765, at *1 (S.D.N.Y. 1996). Biro claimed that Empire was infringing that mark by using a nearly identical mark—DIAL* A* DIAMOND—in conjunction with the phone number 1*800*SAVE*HALF.

In denying Biro’s preliminary injunction motion, the Court held that DIAL-A-DIAMOND SYSTEM was a descriptive mark: “The mark describes exactly the nature of the service: ordering diamonds by telephone.” *Id.* at *4. That conclusion was unaltered by the fact that DIAL-A-DIAMOND SYSTEM did not describe every feature of the service: “The fact that the mark does not specify that the service is aimed at wholesalers, that it is wholly automated, or that it allows a caller to specify various characteristics of the stone sought does not alter the essentially descriptive nature of the mark.” *Id.* The abortive DIAL-A-DIAMOND SYSTEM

claim was a conceptual precursor to IDEX's claim for GUARANTEED DIAMOND TRANSACTIONS, and is no less descriptive; it "describes exactly the nature of the service," as IDEX's own website demonstrates.

Similarly, "[m]arks formed from combinations of well-known words or abbreviations have been found to be descriptive." *Information Superhighway Inc. v. Talk America, Inc.*, 395 F. Supp. 2d 44, 51 (S.D.N.Y. 2005). In *Information Superhighway*, this Court found that the "combination of tel and save to form Telsave or Telsave.com used in connection with the offering of telecommunication services is merely descriptive of its services." *Id.* at 52. Other examples of marks deemed descriptive in the Second Circuit further reinforce the principle that combinations of well-known words such as GUARANTEED DIAMOND TRANSACTIONS are classified as descriptive marks. For instance:

- THE SPORTS AUTHORITY—descriptive of a sporting-goods store. *The Sports Authority, Inc. v. Prime Hospitality Corp.*, 89 F.3d 955, 961 (2d Cir. 1996).
- ARTHRITICARE—descriptive of topical analgesic for arthritics. *Bernard v. Commerce Drug Co.*, 964 F.2d 1338, 1341-42 (2d Cir. 1992).
- PAPER CUTTER—descriptive of business making paper designs and cut-outs. *Papercutter, Inc.*, *supra* at 563-64.
- SPORTSCREME—descriptive of a topical heat analgesic. *Thompson Medical Co. v. Pfizer Inc.*, 753 F.2d 208, 216 (2d Cir. 1985).
- POWERCHECK—descriptive of batteries that can be checked for power remaining. *Ideal World Marketing, Inc. v. Duracell, Inc.*, 15 F. Supp. 2d 239, 244 (E.D.N.Y. 1998), *aff'd*, 182 F.3d 900 (2d Cir. 1999).
- SNAKELIGHT—descriptive of a flashlight with a flexible neck. *Black & Decker Corp. v. Dunsford*, 944 F. Supp. 220, 225 (S.D.N.Y. 1996).
- FAST TRACK—descriptive of athletic wear. *Karmikel Corp. v. May Dep't Stores Co.*, 658 F. Supp. 1361, 1370 (S.D.N.Y. 1987).

Moreover, marks containing the word "guaranteed" have been found **not** to be protectable trademarks. In *Lawfinders Assoc., Inc. v. Legal Research Center, Inc.*, for example, Lawfinders claimed that Legal Research Center's marks GUARANTEED APPELLATE BRIEF SERVICE and GUARANTEED APPELLATE BRIEFS infringed the Lawfinders mark

GUARANTEED APPELLATE BRIEF PROGRAM. *See* 65 F. Supp. 2d 414, 425 (N.D. Tex. 1998), *aff'd mem.*, 193 F.3d 517 (5th Cir. 1999). But the court denied Lawfinders' preliminary injunction motion, finding that the mark GUARANTEED APPELLATE BRIEF PROGRAM was either generic or descriptive: "A consumer needs no imagination to conclude from the mark that [Lawfinders] provides an appellate brief writing service with an associated guarantee." *Id.* at 426. Here, too, a consumer encountering the phrase GUARANTEED DIAMOND TRANSACTIONS needs no imagination to conclude that IDEX is **guaranteeing** some aspect of the **diamond transactions** conducted through its service.

Similarly, in *Application of Standard Oil Co.*, the Court of Customs and Patent Appeals affirmed the PTO's refusal to register GUARANTEED STARTING as a service mark in connection with Standard Oil's "winterizing motor service." *See* 275 F.2d 945, 946 (C.C.P.A. 1960). The court found that the words "guaranteed starting" are "well understood English words in common use. Taken together, they amount to no more than a sort of condensed announcement that [Standard Oil] will guarantee the work done in order to insure the starting of the customer's car." *Id.* at 947. Again, the words GUARANTEED DIAMOND TRANSACTIONS are well understood English words that amount to no more than a condensed announcement that IDEX will **guarantee** some aspect of the **diamond transactions** made through its service.

No amount of evidence or expert testimony could change the simple fact that GUARANTEED DIAMOND TRANSACTIONS aptly describes IDEX's on-line, diamond-transaction service offering "**GUARANTEED AVAILABILITY . . . to buyers**" and "Guaranteed immediate **CASH** payment to sellers." IDEX Br. Ex. A. As a matter of law, GUARANTEED DIAMOND TRANSACTIONS cannot be inherently distinctive, as IDEX incredibly alleges (Prop. Am. CC ¶¶ 38, 99, 105), but is, as the PTO found, merely descriptive.

3. Descriptiveness is a threshold legal issue at the pleadings stage.

Undoubtedly cognizant of the dubiousness of the GDT counterclaims, IDEX's brief urges

in a footnote that descriptiveness *vel non* of a mark—no matter how obvious—can never be determined on the basis of the pleadings alone. IDEX cites two unpublished decisions from other District Courts as support for this assertion. In neither case cited by IDEX, however, had a legal determination of descriptiveness—which, as demonstrated above, is entitled to strong deference from this Court—already been made by the PTO, which incidentally also made its determination only with the benefit of IDEX’s bare submissions.

Furthermore, in the first of the two cases on which IDEX relies, *North Forest, Development, LLC v. Walden Ave. Realty Assoc., LLC*, the court while the court did indeed decline to rule on the strength of the plaintiff’s mark on a motion to dismiss, it had such “serious concerns as to plaintiff’s good faith basis for alleging that the word ‘commons’ is a valid trademark” that it *sua sponte* ordered plaintiff to show cause why it should not be sanctioned with dismissal under Rule 11 for bringing a frivolous claim. *See* 2007 WL 2295808, at *5 (W.D.N.Y. Aug. 9, 2007). And the only authority the *North Forest* court cites on this point is, not surprisingly, the other unreported case cited by IDEX, *Fine Foods International (New York) v. North America Fine Foods, Inc.*, 1999 WL 1288681, at *10 (E.D.N.Y. Nov. 12, 1999)—which asserts this supposed rule without citation to any authority at all.

Indeed, IDEX places undue weight on both opinions. The law in this Circuit is that the classification of a particular term as descriptive or not is “a threshold determination” within the Court’s purview. *Thompson Medical*, 753 F.2d at 213 (requiring showing of secondary meaning in purported trademark to sustain action). Thus, when appropriate, this Court has not hesitated to analyze a trademark and determine that it is descriptive at the pleadings stage. *See Simon & Schuster, Inc. v. Dove Audio, Inc.*, 936 F. Supp. 156, 162 (S.D.N.Y. 1996) (finding trademark descriptive on motion to dismiss under Rule 12(c)). Nor have other federal courts been reluctant upon such a determination to dismiss a trademark claim at the pleadings stage as a matter of law. *See Douglas v. Osteen*, 560 F. Supp. 2d 362, 369-70 (E.D. Pa. 2008) (dismissing trademark

infringement claim for failure to state a claim under Fed. R. Civ. P. 12(b)(6)). In a case where, as here, a legal conclusion of descriptiveness is so readily obvious, this Court need not hesitate either.

4. IDEX fails as a matter of law to plead that GUARANTEED DIAMOND TRANSACTIONS has secondary meaning.

A descriptive mark such as GUARANTEED DIAMOND TRANSACTIONS is entitled to protection only if it has acquired a secondary meaning, that is to say, whether it has come **through use** “to be uniquely associated with a single source.” *Papercutter.*, 900 F.2d at 564. A claimant must show, or in the instant procedural context must allege plausibly, that the alleged mark had a secondary meaning **prior to the date** on which the junior user commenced using the same or similar mark. *See, e.g., id.; Braun Inc. v. Dynamics Corp. of America*, 975 F.2d 815, 826 (Fed. Cir. 1992).

Merely conclusory allegations of a likelihood of confusion do not meet the pleading standard for alleging likelihood of confusion. *Volvo North America Corp. v. Men's Intern. Professional*, 687 F. Supp. 800, 812-813 (S.D.N.Y. 1988). Where, as here, a claimed mark is merely descriptive and has not been registered, “secondary meaning cannot be simply presumed” from priority of use. *American Direct Marketing, Inc. v. Azad Intern., Inc.*, 783 F. Supp. 84, 92-93 (E.D.N.Y. 1992), *citing McGregor-Doniger Inc. v. Drizzle, Inc.*, 599 F.2d 1126, 1132-33 (2d Cir.1979), and J. McCarthy, *Trademarks & Unfair Competition* (2d ed.1984) § 15:1. As demonstrated below, IDEX’s proposed counterclaims cannot meet the *Twombly* plausibility standard as they fail adequately to allege that IDEX could show secondary meaning in the phrase GUARANTEED DIAMOND TRANSACTIONS.

(i) IDEX does not allege that the GDT “mark” acquired distinctiveness.

In order to avoid making the implausible claim that its descriptive “trademark” acquired distinctiveness more or less instantly, IDEX took the tack of claiming that the phrase is **inherently** distinctive. Unfortunately IDEX has avoided an implausible claim by making one

that is beyond implausible, and has already been rejected by the PTO. IDEX never claims in its proposed counterclaim that GUARANTEED DIAMOND TRANSACTIONS has secondary meaning, or that its alleged mark has “acquired descriptiveness,” the alternative formulation. *See In re Automatic Radio Mfg. Co.*, 404 F.2d 1391 (C.C.P.A. 1969). Alleging that a mark has acquired “good will” does not meet this standard (see *infra*).

(ii) IDEX does not allege facts from which it could plausibly be inferred that the GDT “mark” could have acquired distinctiveness.

Factually, IDEX merely alleges the following: that it attempted to register the phrase as a trademark, which is irrelevant on the question of secondary meaning (*see* Prop. Am. CC at ¶ 38)¹⁰; without specificity, that it promoted and advertised the service (*id.* at ¶ 39); that the “launch” of its “service” received unspecified “significant press attention” (*id.* at ¶ 40) (with no allegation as to how the alleged trademark was featured in those press reports); and, conclusorily, that IDEX “has already acquired, and continues to acquire, substantial and valuable good will” in this alleged mark (*id.* at ¶ 41). Critically, however, IDEX does not identify among whom—by industry, or even by the class of “purchasers or prospective purchasers” of its service—the alleged “good will” exists. These allegations, even if taken as true, do not state a trademark claim.

Indeed, just as IDEX is asking the Court to permit amendment of the pleadings at an unprecedentedly late stage in the litigation, IDEX is inviting this Court to make a ruling of phenomenal novelty as to just how little a party can do sustain a trademark claim in a mark already found to be descriptive. That is because IDEX alleges that its first use of

¹⁰ If this allegation signifies anything, in fact, it is IDEX’s utter lack of belief in its trademark claim. As discussed above, all three of IDEX’s GDT applications were rejected, two of them explicitly on grounds of descriptiveness, in August. Yet in the nearly five months since those Office Actions issued, IDEX has not amended its application by submitting proof of secondary meaning, as it would have to do to register the mark under § 2(f) of the Lanham Act. IDEX’s deadline to do so has not expired, but considering the pendency of this motion, and IDEX’s considerable reliance on its PTO applications as indicative of some color of right, its silence speaks volumes.

GUARANTEED DIAMOND TRANSACTIONS in commerce occurred on April 13, 2008 and that the alleged “infringement” of this “trademark” took place on May 23, 2008, a mere **40 days** after its first use in commerce! *See* Prop. Am. CC at ¶ 37-43; Ex. A.

Rapaport is not aware of a single case—upon extensive research, and absent the submission of any authority by IDEX—in which a court or the PTO has found secondary meaning in a descriptive mark based on less than seven weeks of use. Courts have held that while a product seldom acquires secondary meaning over a short period of time, it is theoretically not impossible. *See, e.g., Braun*, 975 F.2d at 826; *Cicena Ltd. v. Columbia Telecomm. Group*, 900 F.2d 1546, 1552 (Fed. Cir. 1990). But the Second Circuit has consistently refused to accept claims that secondary meaning has been acquired for marks in use for far longer periods than that of GDT in the present case.

In *PaperCutter*, *supra*, for example, the plaintiff had been using the descriptive mark PAPER CUTTER for approximately five months before defendant’s first use. The Second Circuit rejected the assertion of secondary meaning: “[G]iven the **very slight priority of use** of the mark by the plaintiff over the defendant, it is **hardly conceivable** that customers could have come to associate plaintiff’s mark with the source so as to prevent the use of that term by one whose use had begun before the secondary meaning was acquired.” 900 F.2d at 565 (emphasis added; internal quotation marks omitted). Other courts faced with such short priorities of use have routinely rejected the possibility of the establishment of acquired distinctiveness. *See, e.g., Bernard*, *supra*, 964 F.2d at 1343 (no secondary meaning acquired after **seven to eight months** of use in commerce); *20th Century Wear, Inc. v. Sanmark-Stardust, Inc.*, 815 F.2d 8, 10-11 (2d Cir. 1987) (**four years** of exclusive use generating \$14 million in sales insufficient to show secondary meaning); *Hi-Tech Pharmacal Co. v. Hi-Tech Pharmaceuticals Inc.*, 2007 WL 1988737, at *10 (E.D.N.Y. July 5, 2007) (no secondary meaning despite \$3 million in advertising over approximately **eight years** of use); *Lawfinders*, *supra*, 65 F. Supp. 2d at 427-28

(no secondary meaning despite **four years** of use); *Jewish Sephardic Yellow Pages*, 478 F. Supp. 2d 340, 377 (E.D.N.Y. 2007) (no secondary meaning despite **four years** of use).

Ultimately IDEX must retreat to insistence that, no matter how preposterous a claim of secondary meaning, the question must always be one of fact. Where it has at least been alleged adequately, the existence of secondary meaning is indeed typically treated as a fact question. But under *Twombly* the standard for evaluating the sufficiency of **any** pleading is **plausibility**. See *Iqbal v. Hasty*, 490 F.3d 143, 157-58 (2d Cir. 2007). There is no exception for trademark claims.

Here IDEX's claims are utterly implausible: It wants rights in a mark that (1) it insists is inherently distinctive (2) even though the PTO found it descriptive and refused to register it, which (3) is not alleged in the alternative to have acquired distinctiveness, and which (4) in any event would have had to acquire any distinctiveness in 40 days. Granting every benefit of the doubt available to the case IDEX has pleaded, it cannot possibly be said to have pleaded a valid trademark claim. To rule otherwise would be to enshrine trademark as a dismissal-proof species of legal action. Thus, because the claims for trademark infringement are at best "speculative," they fail as a matter of law and should be rejected as futile. See *Twombly*, 127 S. Ct. at 1965.

C. IDEX's GDT unfair competition claim is futile because IDEC does not allege plausibly any misappropriation causing confusion as to the source of GUARANTEED DIAMOND TRANSACTIONS.

IDEX's proposed Ninth Counterclaim is based on New York unfair competition law sounding in trademark, but presumably relying on the lower standard for making out such a claim under state law (characterized in some sources as the "New York Rule"), which does not require a finding of secondary meaning as strictly defined under traditional trademark law. See, e.g., *Murphy Door Bed Co.*, 874 F.2d at 101-02 and McCarthy § 15:12. This lower standard does not help IDEX, however, for it still fails to allege that the defendant "confus[ed] the public into mistakenly purchasing [a] product **in the belief that the product is the product of the**

competitor.” *Murphy Door Bed Co.*, 874 F.2d at 102 (emphasis added). That “confusion” must be based on some misappropriation of what is properly the property, skill, expenditures or labor **of the claimant** (*id.*), which is not alleged here.

For example, in *Murphy Bed*, the claim by The Murphy Bed Company was that the public had been tricked into the erroneous belief that the defendant was the source of “original” Murphy Beds (beds that fold up into a wall). *Id.* at 102. The Second Circuit upheld a finding that the term MURPHY BED, though originated by the plaintiff generations ago, was no longer amenable to trademark protection, having become generic. *Id.* at 101. It nonetheless affirmed the District Court’s refusal to dismiss the claim made under New York’s unfair competition law, focusing on the nature of the deceit and the fraud perpetrated on the public:

Zarcone did engage in unfair competition . . . by passing off products of his own manufacture as Murphy Co. products. He filled [an] order with beds that he manufactured but described in the invoice as Murphy beds with Murphy Co. style numbers. Moreover, Zarcone advertised in newspapers the wall beds that he manufactured as “Murphy Bed Co. of America, Inc.—Original Wall-Bed Systems” and “The New Murphy Beds ... Original Wall Bed Systems.” Even though “original” might refer to the genus of design rather than to a bed manufactured by the Murphy Co., there is no doubt that the public generally would associate the term “original” with the first company to manufacture Murphy beds, the Murphy Co.

Id. at 102. The crux of unfair competition under the New York Rule, as articulated above, is not merely the use without permission of a descriptive phrase used by a competitor. Rather it was, in *Murphy Door Bed Co.*, the misrepresentation that the defendant was the original source of a type of bed associated with a specific originator in the public mind. The defendant misused a unique, identifiable and, in that case, utterly non-descriptive term to mislead the public to the effect that its products were plaintiff’s “genuine” products. That misappropriation and misuse is at the core of the New York unfair competition tort, and in such a situation—quite unlike the one here—the question of secondary meaning is, indeed, beside the point.

Thus, in *Genesee Brewing Co., Inc., v. Stroh Brewing Co.*, while the phrase HONEY BROWN was generic, defendant engaged in unfair competition because there was, unlike here, a

longstanding “public association” of the phrase with a single source. *See* 124 F.3d 137, 149 (2d Cir. 1997). Alternatively, even where a phrase is generic “*ab initio*,” a plaintiff may prevail on a claim for unfair competition under New York law if there was misrepresentation, misleading advertisement or other types of commercial unfairness in connection with the use of what the general public would assume was a single, or authorized, source of world-famous “Swiss Army Knives.” *See, Forschner Group, Inc. v. Arrow Trading Co.* 30 F.3d 348, 358-59 (2d Cir. 1994).

Thus the trend in cases employing the New York Rule is that there be an allegation that a word or phrase, while not strictly amenable to trademark protection, has been established for a long period, has an ascertainable public resonance, and was misappropriated by a junior user in such a way as to suggest falsely that it was the source of the original or genuine item known to the public. In short, the tort encompasses misappropriation of established public sentiment properly directed to the property, efforts, expenditures, or labor of the originator of a known term. Not one of these factors, nor any cognizable policy interest, applies to the prospect of granting such protection to IDEX’s claim based on a phrase, only used by IDEX for a month and a half, to describe its offering of guaranteed diamond transactions before Rapaport did the same to describe its own services. Such a phrase has not plausibly been alleged to be associated among the public with a single, genuine, original or even associated source. For this reason, the proposed Ninth Counterclaim is also futile, and should not be permitted.

III. RAPAPORT HAS COMPLIED FULLY WITH ITS DISCOVERY OBLIGATIONS, AND IDEX’S UNTIMELY AND PROCEDURALLY DEFECTIVE MOTION TO COMPEL SHOULD BE DENIED.

In once again moving to obtain additional document production, IDEX erroneously accuses Rapaport of failing to comply with the Court’s February 7, 2008 Disclosure Order. IDEX’s motion to compel fails for three reasons. **First**, the motion is untimely and procedurally deficient. **Second**, much of the information IDEX demands has been in its possession for the

better part of a year. IDEX simply does not wish to do the laborious and costly work of compiling it—it wants Rapaport to bear that cost. And **third**, the remaining financial information has not been produced because it does not exist in the form sought by IDEX. The motion to compel is meritless and the Court should deny it.

A. IDEX's motion to compel is procedurally flawed and untimely.

IDEX has declined to comply with the procedural requirements set out in the Federal Rules of Civil Procedure for making a motion to compel. Fed. R. Civ. P. 37(a)(1) provides that a motion to compel must be accompanied by a certification that the movant has in good faith conferred or attempted to confer with the party failing to make disclosure, in an effort to obtain disclosure without court intervention. That never happened. IDEX simply skipped its statutory obligation to file the required certification.

This is not a mere technicality. Had IDEX's counsel taken the time to meet and confer, Rapaport's counsel would have disclosed that Rapaport does not have any more relevant financial documents to produce and would have offered to produce a declaration to that effect. But because IDEX chose instead directly to burden the Court with its complaints, the Court should not even entertain this motion to compel. This would be consistent with the Court's earlier refusal, on just this basis, to consider Rapaport's request that the Court intervene regarding IDEX's complete refusal to respond to interrogatories (set forth in the Court's memo-endorsed order dated February 7, 2008).

Not only is IDEX's motion to compel procedurally flawed, but it is also severely out of time. Complaints about discovery cannot be sat on indefinitely. If the moving party on a motion to compel "has unduly delayed, [a] court may conclude that the motion is untimely." *In re Health Management, Inc.*, 1999 WL 33594132 (E.D.N.Y. 1999) (September 25, 1999) at *5 (citing 8a Wright, Miller & Marcus, *Fed. Prac. and Proc.* 2d § 1994 (1999)). Courts have considerable discretion in deciding whether a motion to compel has been timely filed. Some of

the factors weighed are “the length of the delay in bringing the motion,” “whether the delay was tactically inspired,” or if the delay was the “product of negligence.” *See* 7-37 *Moore’s Federal Practice*, §37.05 (citing cases).

Thus, for instance, in *Cramer v. Fedco Automotive Components Co., Inc.*, the Court denied a motion to compel where the plaintiffs waited until the last day of the discovery period—more than eight months after the defendant objected to their interrogatories—to move to compel defendant’s response. *See* 2004 WL 1574691, at *2 (S.D.N.Y. May 26, 2004). In denying the motion to compel, the Court noted that the burden was on the movants to take steps to compel compliance, and that the plaintiffs had failed to provide a satisfactory explain for the delay in bringing their motion. *Id.*

Here, as in *Cramer*, IDEX does not even attempt to explain why it waited six months after Rapaport made its final document production, which was already after the end of the discovery period, to file its motion to compel. As with its obligation to meet and confer and to submit the appropriate certification, IDEX ignores the pregnant question of the timeliness of its motion entirely. Instead, IDEX complains that this long-ago alleged failure to comply with the Disclosure Order has “frustrated” its ability to prepare its counterclaims and harmed its expert’s “analysis” of the so-called relevant economic issues. *See* IDEX’s Br. at 24.

But even crediting this largely imaginary state of affairs, IDEX has only itself to blame. IDEX chose to proceed with expert discovery without **first** attempting to resolve its supposed discovery problem as required by Rule 37, or timely moving to compel production of the financial documents it contends are so vital to its expert testimony, and which its expert knew he “needed” six months earlier. In so doing it has wasted the parties’ time and money by illogically reversing the order of fact and expert discovery and by serving a worthless expert “report” that, by its own terms, does not offer an expert opinion. *See* Rapaport counsel’s letter to the Court dated August 20, 2008 (filed herewith as Exhibit C).

No less importantly, fact discovery closed **last** winter—and that is how long it has been since IDEX knew it would make this motion. Rapaport served IDEX with its final document production on March 5, 2008, so IDEX was aware that that plaintiffs’ production did not include any formal profit and loss statements, cash flow statements, or management reports specific to INDEX® six months before it moved. It was also in March that IDEX’s proffered expert Paul Hinton realized, as he has testified, that he could not render an opinion on whether Rapaport engaged in “predatory bundling.” **That** was the time for IDEX to either do the right thing and admit that there was in fact no evidence of bundling, and hence no basis to retrofit bundling into this litigation. Alternatively, March 2008 was the time to meet and confer regarding the discovery sought and, failing a satisfactory resolution, for IDEX to make its motion to compel.

Instead IDEX launched a fruitless, six-figure expert extravaganza premised on an expert-opinion-free “expert report” that, despite its fatal flaws, necessitated the generation of a rebuttal report by Rapaport, and cost Rapaport a little more than \$106,000. *See* Declaration of Richard Ferber (“Ferber Decl.”), dated January 27, 2009, filed herewith as Exhibit D, at ¶ 6. Expert discovery yielded little but Mr. Hinton’s admission that he needs more information to see if he could even render an opinion. Thus, IDEX made a mockery of Fed. R. Civ. P. 26(a)(2)(B), requiring that an expert report “**must contain a complete statement of all opinions** the witness will express and the basis and reasons for them”—not speculation about what the witness might say in an alternative universe (emphasis added). That Rule, and the basic litigation logic it embodies, is why fact discovery precedes expert discovery.

Not for IDEX. And now, if only by this motion, IDEX is protracting this litigation yet further, pushing off the resolution of the issues that caused Rapaport to file this action in 2003 and which continue to damage plaintiffs and frustrate its business planning, forcing them to defend a tardy and baseless motion to compel.

B. Most of the information IDEX seeks to have produced has already been produced.

Besides being procedurally non-compliant, IDEX's motion is a tempest in a teapot. So much of the information demanded by IDEX in its motion has already been produced that it is hard to believe IDEX ever even looked at Rapaport's document production. Some examples:

- IDEX falsely claims that plaintiffs never produced documents regarding the number of subscribers to RapNet, INDEX and the *Rapaport Diamond Report* ("RDR"). *See* IDEX Br. at 21. But that information **was** produced, on pages Bates-stamped RAP 17569-17572.
- Equally baseless is IDEX's claim that plaintiffs never produced documents responsive to IDEX's request for materials pertaining to "business plans for the development of RapNet and INDEX, discussions concerning strategy, or other materials reflecting evaluations of the financial performance and forecasts of future performance" (*see* IDEX Br. at 21-22). In fact, over a year ago, plaintiffs produced numerous highly sensitive e-mails and memos authored by Martin Rapaport and other Rapaport Group employees that relate directly to strategy, competition, and business development of INDEX, RapNet, and the RDR. *See, e.g.*, RAP 4750-4853; RAP 4249-4262.
- IDEX's claim that plaintiffs never produced "historic price lists for each product/service for the last 10 years" is also incorrect. As to the INDEX service, plaintiffs produced a number of documents that clearly identify the amount of the clearinghouse fee that plaintiffs historically have added to the seller's asking price. *See, e.g.*, RAP 372, RAP 2349. Likewise, information concerning the cost of an annual subscription to RapNet or the RDR for the past ten years is contained in various iterations of the Rapaport Information Kits, all of which plaintiffs produced to IDEX during the summer of 2007. *See, e.g.*, RAP 2291, RAP 4285, RAP 4320. In addition, Saville Stern, General Counsel of the Rapaport Group, provided testimony on this topic at his deposition. *See* Deposition Transcript of Saville Stern, January 8, 2008, at 172:13-174:4.
- Finally, the notion that plaintiffs did not produce any financial information for RapNet, INDEX or the RDR (*see* IDEX Br. at 20-21) is also unfounded. Most recently, in response to the Court's February 7, 2008, Disclosure Order, plaintiffs produced the Profit and Loss Statement for Rapaport USA for the years 2005, 2006 and 2007 (*see* RAP

17576-17587). Each of these statements contains income, advertising, and other financial data for both RapNet and the RDR.

Not only that, but at least a year ago, in response to IDEX's request for "documents sufficient to establish" facts such as Rapaport's revenues from "products and services sold under the INDEX trademark" and from sales of the Rapaport Price List and RapNet service, Rapaport produced a series of monthly e-mails from Yariv Segev, plaintiffs' chief economist, containing detailed sales and revenue figures for INDEX for the years 2006 and 2007, as well as figures for 2005. *See generally* RAP 4750-4853. To cite but one example, Rapaport produced a January 10, 2008 e-mail in which Mr. Segev listed the number of diamonds that were sold in the year 2007, the total value of those sales and the percentage of the increase in sales and value from the prior year. *See* RAP 17563.

Rapaport also produced an April 17, 2007 e-mail in which Mr. Segev breaks down, by country, the number of subscribers for RapNet and the total number of diamonds listed. *See* RAP 4750-51. Mr. Segev's monthly e-mails are not formal "cash flow statements" or "profit and loss statements," but they are the only documents of this nature that exist, and the information contained in them is the same type of information one would find in those financial documents.

These are just examples. The Rules do not burden Rapaport with educating IDEX about in the contents the documents it has produced. IDEX does not merely acknowledge the production of this material and then attempt to demonstrate that it is non-responsive or insufficient. Its submissions ignore this production entirely and accuse Rapaport of flouting the Rules of Civil Procedure and the Court's orders. Either IDEX is deliberately misrepresenting the contents of Rapaport's production or has been too delinquent to grasp them. Either way, its motion to compel has no merit.

C. The remaining documents sought by IDEX do not exist.

Besides ignoring what it already has, IDEX demands production of what it can never have: documents that never existed. Under Fed. R. Civ. P. 34(a), “a party can be compelled to produce documents only if it has either possession of the documents or control of them.” *Golden Trade, S.r.L. v. Lee Apparel Co.*, 143 F.R.D. 514, 525 (S.D.N.Y. 1992) (internal quotation marks omitted). As this Court recently observed, “[I]tigators commonly suspect that they are not getting all the documents they have requested and that an adversary is holding something back ...” *Margel v. E.G.L. Gem Lab Ltd.*, 2008 WL 2224288, at *3 (S.D.N.Y. May 29, 2008). But “[u]nder ordinary circumstances, ‘a party’s good faith averment that the items sought simply do not exist, or are not in his possession, custody or control, should resolve the issue of failure of production ...’” *Id.* (quoting *Zervos v. S.S. Sam Houston*, 79 F.R.D. 593, 595 (S.D.N.Y. 1978)).

Notwithstanding IDEX’s suspicions, Rapaport has not withheld anything it is obligated to produce, and IDEX has no basis on which to claim otherwise. Not all of the financial information IDEX would like to see has ever been reduced to writing by Rapaport. These include (a) profit and loss statements, (b) management reports, (c) detailed cash flow statements specific to INDEX®-related businesses, and (d) documents itemizing the specific costs and revenues attributable to the Rapaport Diamond Report and RapNet from businesses associated with the INDEX® trademark.

The main reason many of the documents sought do not exist is that, as IDEX knows perfectly well, INDEX® is a trademark associated over time with certain activities of the Rapaport Group. It is not a separate business unit. Therefore, as Richard Ferber, Financial Controller for Rapaport USA explains in his Declaration, the Rapaport Group historically has not generated profit and loss or cash-flow statements “for INDEX®.” *See* Ferber Decl. ¶¶ 3-4. INDEX® became a stand-alone service in 2005, but Rapaport’s focus has been on how many diamonds are sold via INDEX® and whether the business yields gross profits. Consequently, the

only financial documents pertaining directly to INDEX® are the e-mails and spreadsheets authored by Mr. Segev, which reflect the number of diamonds bought and sold through INDEX® and the gross profits—all of which has already been produced to IDEX. *See* Ferber Decl. ¶ 4.

IDEX also assails Rapaport's production of highly sensitive tax returns. The general rule is that tax returns are not discoverable because they are "confidential" and qualify as "protected matter." *See, e.g., Ellis v. City of New York*, 243 F.R.D. 109, 111 (S.D.N.Y. 2007). Yet in good faith, and in the absence of any specific directive from the Court, Rapaport produced highly confidential tax returns for Rapaport USA, the Rapaport Diamond Corporation, and the Rapaport Corporation. Rapaport's willingness to voluntarily turn over these tax returns demonstrates how seriously it has taken its discovery obligations. IDEX complains that these tax returns do not provide "discernable information" relating to the Rapaport Group's individual products and services. These, however, are all the financial "reporting" documents that exist. There is no legal ground for IDEX to request that the Court compel Rapaport to **generate** financial documents for IDEX's convenience. It is black-letter law that where, as here, a party has averred in good faith that certain documents do not exist, a court will not compel that party to create the documents for the purpose of the litigation. *See, e.g., Haywood v. Hudson*, 1994 WL 36388, at *2 (S.D.N.Y. Jan. 21, 1994); *Margel*, 2008 WL 2224288, at *3.

In sum, IDEX has not met and cannot meet its burden to establish that Rapaport has failed to comply with its discovery obligations or this Court's Disclosure Order. The Court should deny IDEX's motion to compel in its entirety.

CONCLUSION

For all the foregoing reasons, it is respectfully submitted that IDEX's motions should be denied, and that the Court should immediately, per its earlier order, set a date in the near future for the submission of dispositive motions by the parties on the existing, and extensively litigated, pleadings and record.

GOETZ FITZPATRICK LLC

/s/

By: Ronald D. Coleman (RC 3875)

One Penn Plaza—Suite 4401
New York, New York 10119
(212) 695-8100
rcoleman@goetzfitz.com

Michael A. Charish (MC 3377)
Melinda Spitzer
1430 Broadway—Suite 1615
New York, New York 10018
(646) 328-0786
michael.charish@outsidecounsel.net

Attorneys for Plaintiffs

Dated: January 30, 2009

EXHIBIT A

Thank you for your request. Here are the latest results from the TARR web server.

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<http://www.jdsupra.com/post/documentViewer.aspx?fid=868ff7ee-72e8-4810-895c-cb1cdb7b4618>

Serial Number: 77447019 Assignment Information

Trademark Document Retrieval

Registration Number: (NOT AVAILABLE)

Mark

GUARANTEED DIAMOND TRANSACTIONS

(words only): GUARANTEED DIAMOND TRANSACTIONS

Standard Character claim: Yes

Current Status: A non-final action has been mailed. This is a letter from the examining attorney requesting additional information and/or making an initial refusal. However, no final determination as to the registrability of the mark has been made.

Date of Status: 2008-08-05

Filing Date: 2008-04-14

Transformed into a National Application: No

Registration Date: (DATE NOT AVAILABLE)

Register: Principal

Law Office Assigned: LAW OFFICE 106

Attorney Assigned:
FOSTER STEVEN R

Current Location: L6X -TMEG Law Office 106 - Examining Attorney Assigned

Date In Location: 2008-08-04

LAST APPLICANT(S)/OWNER(S) OF RECORD

1. IDEX Online S.A.

Address:
IDEX Online S.A.
avenue Pictet-de-Rochemont 8. c/o GMG CA

Geneva
Switzerland
Legal Entity Type: Corporation
State or Country of Incorporation: Switzerland

Document hosted at JDSUPRA[™]
<http://www.jdsupra.com/post/documentViewer.aspx?fid=868ff7ee-72e8-4810-895c-cb1cdb7b4618>

GOODS AND/OR SERVICES

International Class: 035

Class Status: Active

operating online marketplaces for the trading of diamonds, precious gems, and jewelry, facilitation of diamond transactions, precious gems transactions and jewelry transactions, including the facilitation of the negotiation process and the execution of the transaction, providing an online database featuring information in the field of diamonds, precious gems, and jewelry, providing information management services, namely, transaction information, shipment processing, preparing shipping documents and invoices, tracking documents, packages and freight over computer networks, intranets and internets, arranging for appraisal and gemological services, namely grading and certification of diamonds and precious gems; maintaining online website featuring data and information in the field of diamonds, precious gems and jewelry

Basis: 1(a)

First Use Date: 2008-04-13

First Use in Commerce Date: 2008-04-13

ADDITIONAL INFORMATION

(NOT AVAILABLE)

MADRID PROTOCOL INFORMATION

(NOT AVAILABLE)

PROSECUTION HISTORY

NOTE: To view any document referenced below, click on the link to "Trademark Document Retrieval" shown near the top of this page.

2008-08-05 - Non-final action mailed

2008-08-04 - Non-Final Action Written

2008-07-28 - Assigned To Examiner

2008-04-17 - New Application Entered In Tram

ATTORNEY/CORRESPONDENT INFORMATION

Attorney of Record

Deborah M. Lodge

Correspondent

DEBORAH M. LODGE
PATTON BOGGS LLP
2550 M ST NW STE 500
WASHINGTON, DC 20037-1350
Phone Number: 202-457-6030
Fax Number: 202-457-6315

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UNITED STATES PATENT AND TRADEMARK OFFICE

SERIAL NO: 77/447019

MARK: GUARANTEED DIAMOND T

77447019

CORRESPONDENT ADDRESS:

DEBORAH M. LODGE
PATTON BOGGS LLP
2550 M ST NW STE 500
WASHINGTON, DC 20037-1350

RESPOND TO THIS ACTION:

<http://www.uspto.gov/teas/eTEASpageD.htm>

GENERAL TRADEMARK INFORMATION:

<http://www.uspto.gov/main/trademarks.htm>

APPLICANT: IDEX Online S.A.

**CORRESPONDENT'S
REFERENCE/DOCKET NO:**

N/A

CORRESPONDENT E-MAIL ADDRESS:

OFFICE ACTION

TO AVOID ABANDONMENT, THE OFFICE MUST RECEIVE A PROPER RESPONSE TO THIS OFFICE ACTION WITHIN 6 MONTHS OF THE ISSUE/MAILING DATE.

ISSUE/MAILING DATE:

The referenced application has been reviewed by the assigned trademark examining attorney. Should the applicant pursue this case further, it must respond timely and completely to the issue(s) below. 15 U.S.C. §1062(b); 37 C.F.R. §§2.62, 2.65(a); TMEP §§711, 718.03.

SECTION 2(e)(1) REFUSAL – MERELY DESCRIPTIVE

Registration is refused because the applied-for mark merely describes characteristics of applicant's services. Trademark Act Section 2(e)(1), 15 U.S.C. §1052(e)(1); *see* TMEP §§1209.01(b), 1209.03 *et seq.*

A mark is merely descriptive if it describes an ingredient, quality, characteristic, function, feature, purpose or use of the specified goods and/or services. TMEP §1209.01(b); *see In re Steelbuilding.com*, 415 F.3d 1293, 1297, 75 USPQ2d 1420, 1421 (Fed. Cir. 2005); *In re Gyulay*, 820 F.2d 1216, 1217-18, 3 USPQ2d 1009, 1010 (Fed. Cir. 1987).

The term "guarantee" is defined as meaning "to pledge or agree to be responsible for another's debt or

contractual performance if that other person does not pay or perform.” See attached dictionary definition. The term “guaranteed” in the applicant’s mark would thus be perceived for its descriptive significance as guaranteeing the diamond transactions. The remainder of the mark merely describes the type of transactions that are guaranteed.

Although applicant’s mark has been refused registration, applicant may respond to the refusal by submitting evidence and arguments in support of registration.

If the applicant chooses to respond to the refusal to register, the applicant must also respond to the following informalities.

NO SPECIMEN SUBMITTED

The application is incomplete because it does not include the required specimen showing use of the applied-for mark in commerce for the goods and/or services identified in the application. An application based on Section 1(a) of the Trademark Act must include a specimen showing the applied-for mark in use in commerce for each class of goods and/or services. Trademark Act Sections 1(a) and 45, 15 U.S.C. §§1051(a), 1127; 37 C.F.R. §§2.34(a)(1)(iv), 2.56; TMEP §§904, 904.07(a).

Note here that the record shows that no image was attached as a specimen.

Therefore, applicant must submit the following:

- (1) A specimen (i.e., an example of how applicant actually uses its mark in commerce) for each class of services based on use in commerce; and
- (2) The following statement, verified with an affidavit or signed declaration under 37 C.F.R. §2.20: **“The specimen was in use in commerce at least as early as the filing date of the application.”** 37 C.F.R. §2.56(a); TMEP §904.05. If submitting a specimen requires an amendment to the dates of use, applicant must also verify the amended dates. 37 C.F.R. §2.71(c).

Examples of specimens for services are signs, photographs, brochures, website printouts or advertisements that show the mark used in the sale or advertising of the services. TMEP §§1301.04 *et seq.*

Pending a proper response, registration is refused because applicant has not provided evidence of use in commerce of the applied-for mark. 15 U.S.C. §§1051(a), 1127; 37 C.F.R. §§2.34(a)(1)(iv), 2.56; TMEP §§904, 904.07(a).

IDENTIFICATION OF SERVICES

The identification of services is indefinite and must be clarified because it uses broad language and suggests services in multiple international classes. *See* TMEP §1402.01. The lack of semi-colons here also makes the identification of services confusing.

“Facilitation of diamond transactions, precious gems transactions and jewelry transactions, including the

facilitation of the negotiation process and the execution of the transaction” is indefinite. The actual service must be stated and properly classified. The word “including” should not be used because it infers that additional unnamed services are also implied.

“Providing an online database featuring information in the field of diamonds, precious gems, and jewelry” is indefinite and could infer services in multiple classes, depending upon what the information concerns with respect to the goods. The same is true of the final listing in International Class 35.

Use of the phrase “transaction information” in International Class 35 is indefinite.

Any “arranging” activities must clearly be for others. Arranging for the provision of one’s own services is not a service activity for others. The word “certification” should not be used.

The following would be acceptable in International Class 35:

International Class 35: Operating online marketplaces for the buying and selling of diamonds, precious gems, and jewelry; negotiation and settlement of commercial transactions for third parties in the field of diamond, precious gem, and jewelry transactions; providing an on-line computer database featuring trade information in the field of diamonds, precious gems and jewelry; providing information management services, namely, shipment processing, preparing shipping documents and invoices, tracking documents, packages and freight over computer networks, intranets and internets, all in the field of diamond, precious gem, and jewelry transactions; arranging for others the performance of the appraisal of diamonds, precious gems, and jewelry; arranging for others the performance of gemological services, namely grading of diamonds and precious gems.

Although identifications of services may be amended to clarify or limit the services, adding to or broadening the scope of the services is not permitted. 37 C.F.R. §2.71(a); *see* TMEP §§1402.06 *et seq.*, 1402.07. Therefore, applicant may not amend the identification to include services that are not within the scope of the services set forth in the present identification.

For assistance with identifying and classifying goods and/or services in trademark applications, please see the online searchable *Manual of Acceptable Identifications of Goods and Services* at <http://tess2.uspto.gov/netahtml/tidm.html>. *See* TMEP §1402.04.

MULTIPLE – CLASS APPLICATION REQUIREMENTS

The application identifies services that could be classified in at least 2 classes; however, the fees submitted are sufficient for only 1 class. In a multiple-class application, a fee for each class is required. 37 C.F.R. §2.86(a)(2); TMEP §§810.01, 1403.01.

Therefore, applicant must either (1) restrict the application to the number of class(es) covered by the fee(s) already paid, or (2) submit the fees for the additional class(es).

The filing fee for adding classes to an application is as follows:

- (1) \$325 per class, when the fees are submitted with a response filed online via the Trademark Electronic Application System (TEAS) at <http://www.uspto.gov/teas/index.html>;

or

- (2) \$375 per class, when the fees are submitted with a paper response.

37 C.F.R. §2.6(a)(1)(i)-(a)(1)(ii); TMEP §810.

In a multiple-class application based on use in commerce, a specimen is required for each class specified in the identification of goods and/or services. 37 C.F.R. §2.86(a)(3); TMEP §§904.01(b), 1403.01. Therefore, if applicant amends the application to add international classes, applicant must submit a specimen showing use of the mark for each added class. In addition, applicant must submit the following statement, verified with an affidavit or signed declaration under 37 C.F.R. §§2.20, 2.33: “**The specimen was in use in commerce on or before the application filing date.**” 37 C.F.R. §2.59(a).

Currently there is no specimen for any class of services.

The application identifies services in multiple international classes; however, the dates of use apply to fewer than all the classes identified. A multiple-class application based on use in commerce must include dates of use for each class in the application. 37 C.F.R. §2.86(a)(3); TMEP §1403.01.

Therefore, applicant must provide dates of first use and use in commerce for each class of goods and/or services. If the dates differ from those of record, then applicant must verify the new dates with an affidavit or signed declaration under 37 C.F.R. §§2.20, 2.33. 37 C.F.R. §2.71(c); TMEP §903.05.

Applicant must list the services by international class. TMEP §§801.01(b), 1403.01.

INFORMATION ABOUT SERVICES REQUIRED

The nature of the services in connection with which applicant uses its mark is not clear from the present record and additional information is required. An applicant can be required to provide more information if it is necessary for proper examination of the application. 37 C.F.R. §2.61(b); TMEP §§814, 1402.01(e); *see In re Planalytics, Inc.*, 70 USPQ2d 1453, 1457-58 (TTAB 2004).

Therefore, applicant must submit samples of advertisements or promotional materials for the identified services. In addition, applicant must describe in detail the nature, purpose and channels of trade of the services.

Specific inquiry is made as to whether any of the diamond transactions are guaranteed in any way. In what way?

SEARCH CLAUSE

The examining attorney has searched the Office records and has found no similar registered or pending mark which would bar registration under Trademark Act Section 2(d), 15 U.S.C. §1052(d). TMEP §704.02.

If the applicant has any questions about this Office action, please telephone the assigned examining

attorney.

/Steven Foster/
Steven Foster, Trademark Attorney
Law Office 106
(571) 272-9318
Fax number for the Law Office: (571) 273-9106

RESPOND TO THIS ACTION: Applicant should file a response to this Office action online using the form at <http://www.uspto.gov/teas/eTEASpageD.htm>, waiting 48-72 hours if applicant received notification of the Office action via e-mail. For *technical* assistance with the form, please e-mail TEAS@uspto.gov. For questions about the Office action itself, please contact the assigned examining attorney. **Do not respond to this Office action by e-mail; the USPTO does not accept e-mailed responses.**

If responding by paper mail, please include the following information: the application serial number, the mark, the filing date and the name, title/position, telephone number and e-mail address of the person signing the response. Please use the following address: Commissioner for Trademarks, P.O. Box 1451, Alexandria, VA 22313-1451.

STATUS CHECK: Check the status of the application at least once every six months from the initial filing date using the USPTO Trademark Applications and Registrations Retrieval (TARR) online system at <http://tarr.uspto.gov>. When conducting an online status check, print and maintain a copy of the complete TARR screen. If the status of your application has not changed for more than six months, please contact the assigned examining attorney.

Thank you for your request. Here are the latest results from the TARR web server.

This page was generated by the TARR system on 2009-01-29 07:48:41 ET

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Serial Number: 77447714 [Assignment Information](http://www.jdsupra.com/post/documentViewer.aspx?fid=868ff7ee-72e8-4810-895c-cb1cdb7b4618) [Trademark Document Retrieval](http://www.jdsupra.com/post/documentViewer.aspx?fid=868ff7ee-72e8-4810-895c-cb1cdb7b4618)

Registration Number: (NOT AVAILABLE)

Mark

GUARANTEED DIAMOND TRANSACTIONS

(words only): GUARANTEED DIAMOND TRANSACTIONS

Standard Character claim: Yes

Current Status: A non-final action has been mailed. This is a letter from the examining attorney requesting additional information and/or making an initial refusal. However, no final determination as to the registrability of the mark has been made.

Date of Status: 2008-08-05

Filing Date: 2008-04-14

Transformed into a National Application: No

Registration Date: (DATE NOT AVAILABLE)

Register: Principal

Law Office Assigned: LAW OFFICE 106

Attorney Assigned:
FOSTER STEVEN R

Current Location: L6X -TMEG Law Office 106 - Examining Attorney Assigned

Date In Location: 2008-08-04

LAST APPLICANT(S)/OWNER(S) OF RECORD

1. IDEX Online S.A.

Address:
IDEX Online S.A.
c/o GMG CAPITAL SA avenue Pictet-de-Rochemont 8

Geneva
Switzerland
Legal Entity Type: Corporation
State or Country of Incorporation: Switzerland

Document hosted at JDSUPRA[™]
<http://www.jdsupra.com/post/documentViewer.aspx?fid=868ff7ee-72e8-4810-895c-cb1cdb7b4618>

GOODS AND/OR SERVICES

International Class: 036

Class Status: Active

Providing online brokerage and clearing house services in the field of diamonds, precious gems and jewelry; providing financial information in the field of diamonds, precious gems and jewelry; providing a database of appraisal information in the field of diamonds, precious gems and jewelry; providing pricing information in the field of diamonds, precious gems and jewelry, including asking prices, price statistics and trends and price indexes

Basis: 1(a)

First Use Date: 2008-04-13

First Use in Commerce Date: 2008-04-13

ADDITIONAL INFORMATION

(NOT AVAILABLE)

MADRID PROTOCOL INFORMATION

(NOT AVAILABLE)

PROSECUTION HISTORY

NOTE: To view any document referenced below, click on the link to "Trademark Document Retrieval" shown near the top of this page.

2008-08-05 - Non-final action mailed

2008-08-04 - Non-Final Action Written

2008-07-28 - Assigned To Examiner

2008-04-17 - New Application Entered In Tram

ATTORNEY/CORRESPONDENT INFORMATION

Attorney of Record

Deborah M. Lodge

Correspondent

DEBORAH M. LODGE
PATTON BOGGS LLP
2550 M ST NW STE 500

WASHINGTON, DC 20037-1350

Document hosted at JDSUPRA™
<http://www.jdsupra.com/post/documentViewer.aspx?fid=868ff7ee-72e8-4810-895c-cb1cdb7b4618>

UNITED STATES PATENT AND TRADEMARK OFFICE

SERIAL NO: 77/447714

MARK: GUARANTEED DIAMOND T

77447714

CORRESPONDENT ADDRESS:

DEBORAH M. LODGE
PATTON BOGGS LLP
2550 M ST NW STE 500
WASHINGTON, DC 20037-1350

RESPOND TO THIS ACTION:

<http://www.uspto.gov/teas/eTEASpageD.htm>

GENERAL TRADEMARK INFORMATION:

<http://www.uspto.gov/main/trademarks.htm>

APPLICANT: IDEX Online S.A.

**CORRESPONDENT'S
REFERENCE/DOCKET NO:**
N/A

CORRESPONDENT E-MAIL ADDRESS:

OFFICE ACTION

TO AVOID ABANDONMENT, THE OFFICE MUST RECEIVE A PROPER RESPONSE TO THIS OFFICE ACTION WITHIN 6 MONTHS OF THE ISSUE/MAILING DATE.

ISSUE/MAILING DATE:

The referenced application has been reviewed by the assigned trademark examining attorney. Should the applicant pursue this case further, it must respond timely and completely to the issue(s) below. 15 U.S.C. §1062(b); 37 C.F.R. §§2.62, 2.65(a); TMEP §§711, 718.03.

SECTION 2(e)(1) REFUSAL – MERELY DESCRIPTIVE

Registration is refused because the applied-for mark merely describes characteristics of applicant's services. Trademark Act Section 2(e)(1), 15 U.S.C. §1052(e)(1); *see* TMEP §§1209.01(b), 1209.03 *et seq.*

A mark is merely descriptive if it describes an ingredient, quality, characteristic, function, feature, purpose or use of the specified goods and/or services. TMEP §1209.01(b); *see In re Steelbuilding.com*, 415 F.3d 1293, 1297, 75 USPQ2d 1420, 1421 (Fed. Cir. 2005); *In re Gyulay*, 820 F.2d 1216, 1217-18, 3 USPQ2d 1009, 1010 (Fed. Cir. 1987).

The term "guarantee" is defined as meaning "to pledge or agree to be responsible for another's debt or

contractual performance if that other person does not pay or perform. See attached dictionary definition. The term “guaranteed” in the applicant’s mark would thus be perceived for its descriptive significance as guaranteeing the diamond transactions. The remainder of the mark merely describes the type of transactions that are guaranteed.

Although applicant’s mark has been refused registration, applicant may respond to the refusal by submitting evidence and arguments in support of registration.

If the applicant chooses to respond to the refusal to register, the applicant must also respond to the following informalities.

IDENTIFICATION OF SERVICES

The identification of services is indefinite and must be clarified because it uses broad language and suggests services in multiple international classes. See TMEP §1402.01.

In International Class 36, it should be clear that the clearing house services are financial.

“Providing pricing information in the field of diamonds, precious gems and jewelry, including asking prices, price statistic and trends and price indexes” is indefinite in International Class 36, and infers misclassified activities. Note that the word “including” should not be used, implying services beyond those actually stated. The information services about prices fall in International Class 35.

Applicant may adopt the following identification, if accurate:

International Class 35: Providing pricing information in the field of diamonds, precious gems and jewelry, namely, asking prices, price statistics, price trends and price indexes.

International Class 36: Providing online brokerage and financial clearing house services in the field of diamonds, precious gems and jewelry; providing financial information in the field of diamonds, precious gems and jewelry; providing a database of appraisal information in the field of diamonds, precious gems and jewelry.

Although identifications of services may be amended to clarify or limit the services, adding to or broadening the scope of the services is not permitted. 37 C.F.R. §2.71(a); see TMEP §§1402.06 *et seq.*, 1402.07. Therefore, applicant may not amend the identification to include services that are not within the scope of the services set forth in the present identification.

For assistance with identifying and classifying goods and/or services in trademark applications, please see the online searchable *Manual of Acceptable Identifications of Goods and Services* at <http://tess2.uspto.gov/netahtml/tidm.html>. See TMEP §1402.04.

MULTIPLE – CLASS APPLICATION REQUIREMENTS

The application identifies services that could be classified in at least 2 classes; however, the fees submitted are sufficient for only 1 class. In a multiple-class application, a fee for each class is required. 37 C.F.R. §2.86(a)(2); TMEP §§810.01, 1403.01.

Therefore, applicant must either (1) restrict the application to the number of class(es) covered by the fee(s) already paid, or (2) submit the fees for the additional class(es).

The filing fee for adding classes to an application is as follows:

(1) \$325 per class, when the fees are submitted with a response filed online via the Trademark Electronic Application System (TEAS) at <http://www.uspto.gov/teas/index.html>; or

(2) \$375 per class, when the fees are submitted with a paper response.

37 C.F.R. §2.6(a)(1)(i)-(a)(1)(ii); TMEP §810.

In a multiple-class application based on use in commerce, a specimen is required for each class specified in the identification of goods and/or services. 37 C.F.R. §2.86(a)(3); TMEP §§904.01(b), 1403.01. Therefore, if applicant amends the application to add international classes, applicant must submit a specimen showing use of the mark for each added class. In addition, applicant must submit the following statement, verified with an affidavit or signed declaration under 37 C.F.R. §§2.20, 2.33: “**The specimen was in use in commerce on or before the application filing date.**” 37 C.F.R. §2.59(a).

The current specimen would suffice for the services listed above in International Classes 35 and 36. It would not suffice for any other classes.

The application identifies services in multiple international classes; however, the dates of use apply to fewer than all the classes identified. A multiple-class application based on use in commerce must include dates of use for each class in the application. 37 C.F.R. §2.86(a)(3); TMEP §1403.01.

Therefore, applicant must provide dates of first use and use in commerce for each class of goods and/or services. If the dates differ from those of record, then applicant must verify the new dates with an affidavit or signed declaration under 37 C.F.R. §§2.20, 2.33. 37 C.F.R. §2.71(c); TMEP §903.05.

Applicant must list the services by international class. TMEP §§801.01(b), 1403.01.

INFORMATION ABOUT SERVICES REQUIRED

The nature of the services in connection with which applicant uses its mark is not clear from the present record and additional information is required. An applicant can be required to provide more information if it is necessary for proper examination of the application. 37 C.F.R. §2.61(b); TMEP §§814, 1402.01(e); *see In re Planalytics, Inc.*, 70 USPQ2d 1453, 1457-58 (TTAB 2004).

Therefore, applicant must submit samples of advertisements or promotional materials for the identified services. In addition, applicant must describe in detail the nature, purpose and channels of trade of the services.

Specific inquiry is made as to whether any of the diamond transactions are guaranteed in any way. In

what way? By whom?

SEARCH CLAUSE

The examining attorney has searched the Office records and has found no similar registered or pending mark which would bar registration under Trademark Act Section 2(d), 15 U.S.C. §1052(d). TMEP §704.02.

If the applicant has any questions about this Office action, please telephone the assigned examining attorney.

/Steven Foster/
Steven Foster, Trademark Attorney
Law Office 106
(571) 272-9318
Fax number for the Law Office: (571) 273-9106

RESPOND TO THIS ACTION: Applicant should file a response to this Office action online using the form at <http://www.uspto.gov/teas/eTEASpageD.htm>, waiting 48-72 hours if applicant received notification of the Office action via e-mail. For *technical* assistance with the form, please e-mail TEAS@uspto.gov. For questions about the Office action itself, please contact the assigned examining attorney. **Do not respond to this Office action by e-mail; the USPTO does not accept e-mailed responses.**

If responding by paper mail, please include the following information: the application serial number, the mark, the filing date and the name, title/position, telephone number and e-mail address of the person signing the response. Please use the following address: Commissioner for Trademarks, P.O. Box 1451, Alexandria, VA 22313-1451.

STATUS CHECK: Check the status of the application at least once every six months from the initial filing date using the USPTO Trademark Applications and Registrations Retrieval (TARR) online system at <http://tarr.uspto.gov>. When conducting an online status check, print and maintain a copy of the complete TARR screen. If the status of your application has not changed for more than six months, please contact the assigned examining attorney.

Thank you for your request. Here are the latest results from the TARR web server.

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Serial Number: 77448833 [Assignment Information](#) [Trademark Document Retrieval](#)

Registration Number: (NOT AVAILABLE)

Mark



(words only): WWW.IDEXONLINE.COM 100% GUARANTEED DIAMOND TRANSACTIONS
WWW.IDEXONLINE.COM

Standard Character claim: No

Current Status: A non-final action has been mailed. This is a letter from the examining attorney requesting additional information and/or making an initial refusal. However, no final determination as to the registrability of the mark has been made.

Date of Status: 2008-08-05

Filing Date: 2008-04-15

Transformed into a National Application: No

Registration Date: (DATE NOT AVAILABLE)

Register: Principal

Law Office Assigned: LAW OFFICE 106

Attorney Assigned:
FOSTER STEVEN R

Current Location: L6X -TMEG Law Office 106 - Examining Attorney Assigned

Date In Location: 2008-08-04

LAST APPLICANT(S)/OWNER(S) OF RECORD

1. IDEX Online S.A.

Address:
IDEX Online S.A.

c/o GMG CAPITAL SA avenue Pictet-de-Rochemont 8
Geneva
Switzerland

Legal Entity Type: Corporation

State or Country of Incorporation: Switzerland

Document hosted at JDSUPRA™

<http://www.jdsupra.com/post/documentViewer.aspx?fid=868ff7ee-72e8-4810-895c-cb1cdb7b4618>

GOODS AND/OR SERVICES

International Class: 035

Class Status: Active

Operating online marketplaces for the trading of diamonds, precious gems, and jewelry; facilitation of diamond transactions, precious gems transactions and jewelry transactions, including the facilitation of the negotiation process and the execution of the transaction; providing an online database featuring information in the field of diamonds, precious gems, and jewelry; providing information management services, namely, transaction information, shipment processing, preparing shipping documents and invoices, tracking documents, packages and freight over computer networks, intranets and internets; arranging for appraisal and gemological services, namely grading and certification of diamonds and precious gems; maintaining online website featuring data and information in the field of diamonds, precious gems and jewelry

Basis: 1(a)

First Use Date: 2008-04-13

First Use in Commerce Date: 2008-04-13

International Class: 036

Class Status: Active

Providing online brokerage and clearing house services in the field of diamonds, precious gems and jewelry; providing financial information in the field of diamonds, precious gems and jewelry; providing a database of appraisal information in the field of diamonds, precious gems and jewelry; providing pricing information in the field of diamonds, precious gems and jewelry, including asking prices, price statistic and trends and price indexes

Basis: 1(a)

First Use Date: 2008-04-13

First Use in Commerce Date: 2008-04-13

ADDITIONAL INFORMATION

Color(s) Claimed: Color is not claimed as a feature of the mark.

Description of Mark: The mark consists of the words www.idexonline.com 100% GUARANTEED DIAMOND TRANSACTION inside a circle.

Design Search Code(s):

01.01.09 - Stars, two; Two stars

01.01.13 - Stars - multiple stars with five points

26.01.02 - Circles, plain single line; Plain single line circles

26.01.08 - Circles having letters or numerals as a border; Circles having punctuation as a border; Letters, numerals or punctuation forming or bordering the perimeter of a circle

26.01.17 - Circles, two concentric; Concentric circles, two; Two concentric circles

MADRID PROTOCOL INFORMATION

(NOT AVAILABLE)

PROSECUTION HISTORY

Document hosted at JDSUPRA™

<http://www.jdsupra.com/post/documentViewer.aspx?fid=868ff7ee-72e8-4810-895c-cb1cdb7b4618>

NOTE: To view any document referenced below, click on the link to "Trademark Document Retrieval" shown near the top of this page.

2008-08-05 - Non-final action mailed

2008-08-04 - Non-Final Action Written

2008-07-28 - Assigned To Examiner

2008-04-19 - Notice Of Design Search Code And Pseudo Mark Mailed

2008-04-18 - New Application Entered In Tram

ATTORNEY/CORRESPONDENT INFORMATION

Attorney of Record

Deborah M. Lodge

Correspondent

DEBORAH M. LODGE

PATTON BOGGS LLP

2550 M STREET, N.W.

WASHINGTON, DC 20037

Phone Number: 202-457-6000

Fax Number: 202-457-6315

UNITED STATES PATENT AND TRADEMARK OFFICE

SERIAL NO: 77/448833

MARK: WWW.IDEXONLINE.COM I

CORRESPONDENT ADDRESS:

DEBORAH M. LODGE
PATTON BOGGS LLP
2550 M STREET, N.W.
WASHINGTON, DC 20037

77448833

Document hosted at JDSUPRA[™]
<http://www.jdsupra.com/post/documentViewer.aspx?fid=868ff7ee-72e8-4810-895c-cb1cdb7b4618>

RESPOND TO THIS ACTION:

<http://www.uspto.gov/teas/eTEASpageD.htm>

GENERAL TRADEMARK INFORMATION:

<http://www.uspto.gov/main/trademarks.htm>

APPLICANT: IDEX Online S.A.

CORRESPONDENT'S REFERENCE/DOCKET NO:

N/A

CORRESPONDENT E-MAIL ADDRESS:

OFFICE ACTION

TO AVOID ABANDONMENT, THE OFFICE MUST RECEIVE A PROPER RESPONSE TO THIS OFFICE ACTION WITHIN 6 MONTHS OF THE ISSUE/MAILING DATE.

ISSUE/MAILING DATE:

The referenced application has been reviewed by the assigned trademark examining attorney. Should the applicant pursue this case further, it must respond timely and completely to the issue(s) below. 15 U.S.C. §1062(b); 37 C.F.R. §§2.62, 2.65(a); TMEP §§711, 718.03.

SECTION 2(d) REFUSAL – LIKELIHOOD OF CONFUSION

Registration of the applied-for mark is refused because of a likelihood of confusion with the marks in U.S. Registration Nos. 2695657 and 2693314. Trademark Act Section 2(d), 15 U.S.C. §1052(d); *see* TMEP §§1207.01 *et seq.* See the enclosed registrations.

Both registrations cover marks inclusive of the language IDEXONLINE for services that overlap with those of the applicant in International Class 35. These services are also closely related to those of the applicant in International Class 36. Applicant's mark also includes IDEXONLINE.

The cited registrations are owned by IDEX Online Ltd, a corporation of Israel. The present application is owned by IDEX Online S.A., a corporation of Switzerland. These are two different legal entities.

If the marks in the cited registrations have been assigned to applicant, applicant can provide evidence of ownership of the marks by satisfying one of the following:

- (1) Record the assignment with the Assignment Services Division of the Office and provide a written statement to the trademark examining attorney that the assignment has been duly recorded;
- (2) Submit copies of documents evidencing chain of title; or
- (3) Submit the following statement, verified with an affidavit or signed declaration under 37 C.F.R. §2.20: "Applicant is the owner of U.S. Registration Nos. 2695657 and 2693314."

TMEP §812.01; *see* 15 U.S.C. §1060; 37 C.F.R. §§3.25, 3.73; TMEP §502.02(a).

Although applicant's mark has been refused registration, applicant may respond to the refusal by submitting evidence and arguments in support of registration.

If the applicant chooses to respond to the refusal to register, the applicant must also respond to the following informalities.

PRIOR PENDING CONFLICTING APPLICATIONS

Information regarding pending Application Serial Nos. 76-430281; 76-430282; and 78-233945 is enclosed. The filing dates of the referenced applications precede applicant's filing date. There may be a likelihood of confusion under Trademark Act Section 2(d) between applicant's mark and the referenced marks. If one or more of the referenced applications registers, registration may be refused in this case under Section 2(d). 37 C.F.R. §2.83; TMEP §§1208 *et seq.* Therefore, upon entry of a response to this Office action, action on this case may be suspended pending final disposition of the earlier-filed applications.

If applicant believes that there is no potential conflict between this application and the earlier-filed applications, then applicant may present arguments relevant to the issue in a response to this Office action. The election not to submit arguments at this time in no way limits applicant's right to address this issue at a later point.

All three applications cover marks inclusive of the term IDEX. The first two listed applications again cover services in International Class 35 that overlap with applicant's services. Application Serial No. 78-233945 covers related goods about diamonds and precious jewels. Again, these applications are owned by a party other than the applicant herein.

Document hosted at JDSUPRA™

<http://www.jdsupra.com/post/documentViewer.aspx?fid=868ff7ee-72e8-4810-895c-cb1cdb7b4618>

UNACCEPTABLE DRAWING

The drawing is not acceptable because it has blurred and unclear areas and thus, it will not create a high quality image when reproduced. Note how the designs of the stars cannot be clearly discerned and how some of the wording is not clear and sharp. A clear drawing of the mark is an application requirement. 37 C.F.R. §2.52. Therefore, applicant must submit a new drawing showing a clear depiction of the mark. All lines must be clean, sharp and solid, and not fine or crowded. 37 C.F.R. §§2.53(c), 2.54(e); TMEP §§807.05(c), 807.06(a).

The Office recommends that the digitized image have a length and width no smaller than 250 pixels and no larger than 944 pixels. 37 C.F.R. §2.53(c); TMEP §807.05(c).

Amendments or changes to the applied-for mark in a substitute drawing will not be accepted if the changes would materially alter the mark. 37 C.F.R. §2.72; see TMEP §§807.13 *et seq.*, 807.14.

Special form drawings submitted electronically via the Trademark Electronic Application System (TEAS) must be attached as a digitized image file. The requirements for an electronically submitted special form drawing are as follows:

- (1) The mark must appear in black on a white background, unless the mark is in color. If color is a feature of the mark, applicant must depict the mark in color, and provide both a statement identifying the colors claimed and a statement describing where the colors appear in the mark.;
- (2) All lines in the image must be clean, sharp and solid, and not fine or crowded, and produce a high-quality image when copied.;
- and
- (3) The digitized mark image must be in jpg format, formatted at no less than 300 dots per inch and no more than 350 dots per inch.

37 C.F.R. §§2.52(b), (b)(1), 2.53(b)-(c); TMEP §§807.05(b)-(c), 807.07(a)(i)-(a)(ii).

In addition to the above, the Office recommends that the digitized image of the mark have a length and width of no smaller than 250 pixels and no larger than 944 pixels.

DISCLAIMER REQUIRED

Applicant must disclaim the descriptive wording "100% GUARANTEED DIAMOND TRANSACTIONS" apart from the mark as shown because it merely describes a feature of the applicant's services. See 15 U.S.C. §1056(a); TMEP §§1213, 1213.03(a).

The term "guarantee" is defined as meaning "to pledge or agree to be responsible for another's debt or contractual performance if that other person does not pay or perform." See attached dictionary definition. The term "guaranteed" in the applicant's mark would thus be perceived for its descriptive significance as guaranteeing the diamond transactions.

The computerized printing format for the Office's *Trademark Official Gazette* requires a standardized format for a disclaimer. TMEP §1213.08(a)(i). The following is the standard format used by the Office:

No claim is made to the exclusive right to use "100% GUARANTEED DIAMOND TRANSACTIONS" apart from the mark as shown.

TMEP §1213.08(a)(i); see *In re Owatonna Tool Co.*, 231 USPQ 493 (Comm'r Pats. 1983).

INFORMATION ABOUT SERVICES REQUIRED

The nature of the services in connection with which applicant uses its mark is not clear from the present record and additional information is required. An applicant can be required to provide more information if it is necessary for proper examination of the application. 37 C.F.R. §2.61(b); TMEP §§814, 1402.01(e); see *In re Planalytics, Inc.*, 70 USPQ2d 1453, 1457-58 (TTAB 2004).

Therefore, applicant must submit samples of advertisements or promotional materials for the identified services. In addition, applicant must describe in detail the nature, purpose and channels of trade of the services.

Specific inquiry is made as to whether any of the diamond transactions are guaranteed in any way. In what way? By whom? Are they guaranteed fully or 100%?

IDENTIFICATION OF SERVICES

The identification of services is indefinite and must be clarified because it uses broad language and suggests services in multiple international

classes. See TMEP §1402.01.

“Facilitation of diamond transactions, precious gems transactions and jewelry transactions, including the facilitation of the negotiation process and the execution of the transaction” is indefinite. The actual service must be stated and properly classified. The word “including” should not be used because it infers that additional unnamed services are also implied.

“Providing an online database featuring information in the field of diamonds, precious gems, and jewelry” is indefinite and could infer in multiple classes, depending upon what the information concerns with respect to the goods. The same is true of the final listing in International Class 35. Document posted at JD SUPRA[®]
<http://www.idsupra.com/post/document/viewer.aspx?id=868ff7ae-72e8-4810-895c-cb1cdb7b4618>

Use of the phrase “transaction information” in International Class 35 is indefinite.

Any “arranging” activities must clearly be for others. Arranging for the provision of one’s own services is not a service activity for others. The word “certification” should not be used.

In International Class 36, it should be clear that the clearing house services are financial.

“Providing pricing information in the field of diamonds, precious gems and jewelry, including asking prices, price statistic and trends and price indexes” is indefinite in International Class 36, and infers misclassified activities. Note again that the word “including” should not be used.

Applicant may adopt the following identification, if accurate:

International Class 35: Operating online marketplaces for the buying and selling of diamonds, precious gems, and jewelry; negotiation and settlement of commercial transactions for third parties in the field of diamond, precious gem, and jewelry transactions; providing an on-line computer database featuring trade information in the field of diamonds, precious gems and jewelry; providing information management services, namely, shipment processing, preparing shipping documents and invoices, tracking documents, packages and freight over computer networks, intranets and internets, all in the field of diamond, precious gem, and jewelry transactions; arranging for others the performance of the appraisal of diamonds, precious gems, and jewelry; arranging for others the performance of gemological services, namely grading of diamonds and precious gems; providing pricing information in the field of diamonds, precious gems and jewelry, namely, asking prices, price statistics, price trends and price indexes.

International Class 36: Providing online brokerage and financial clearing house services in the field of diamonds, precious gems and jewelry; providing financial information in the field of diamonds, precious gems and jewelry; providing a database of appraisal information in the field of diamonds, precious gems and jewelry.

Although identifications of services may be amended to clarify or limit the services, adding to or broadening the scope of the services is not permitted. 37 C.F.R. §2.71(a); see TMEP §§1402.06 *et seq.*, 1402.07. Therefore, applicant may not amend the identification to include services that are not within the scope of the services set forth in the present identification.

For assistance with identifying and classifying goods and/or services in trademark applications, please see the online searchable *Manual of Acceptable Identifications of Goods and Services* at <http://tess2.uspto.gov/netahtml/tidm.html>. See TMEP §1402.04.

MULTIPLE – CLASS APPLICATION REQUIREMENTS

The application identifies services that could be classified in at least 3 classes; however, the fees submitted are sufficient for only 2 classes. In a multiple-class application, a fee for each class is required. 37 C.F.R. §2.86(a)(2); TMEP §§810.01, 1403.01.

Therefore, applicant must either (1) restrict the application to the number of class(es) covered by the fee(s) already paid, or (2) submit the fees for the additional class(es).

The filing fee for adding classes to an application is as follows:

(1) \$325 per class, when the fees are submitted with a response filed online via the Trademark Electronic Application System (TEAS) at <http://www.uspto.gov/teas/index.html>; or

(2) \$375 per class, when the fees are submitted with a paper response.

37 C.F.R. §2.6(a)(1)(i)-(a)(1)(ii); TMEP §810.

In a multiple-class application based on use in commerce, a specimen is required for each class specified in the identification of goods and/or services. 37 C.F.R. §2.86(a)(3); TMEP §§904.01(b), 1403.01. Therefore, if applicant amends the application to add international classes, applicant must submit a specimen showing use of the mark for each added class. In addition, applicant must submit the following statement, verified with an affidavit or signed declaration under 37 C.F.R. §§2.20, 2.33: “The specimen was in use in commerce on or before the application filing date.” 37 C.F.R. §2.59(a).

The current specimen suffices for International Classes 35 and 36 above. It does not suffice for any other potential class of services.

The application identifies goods and/or services in multiple international classes; however, the dates of use apply to fewer than all the classes identified. A multiple-class application based on use in commerce must include dates of use for each class in the application. 37 C.F.R. §2.86(a)(3); TMEP §1403.01.

Therefore, applicant must provide dates of first use and use in commerce for each class of goods and/or services. If the dates differ from those of record, then applicant must verify the new dates with an affidavit or signed declaration under 37 C.F.R. §§2.20, 2.33. 37 C.F.R. §2.71(c); TMEP §903.05.

Applicant must list the services by international class. TMEP §§801.01(b), 1403.01.

Document hosted at **JDSUPRA**[™]

If the applicant has any questions about this Office action, please telephone the assigned examining attorney. <http://www.jdsupra.com/post/documentviewer.aspx?fid=868ff7ee-72e8-4810-895c-cb1cdb7b4618>

/Steven Foster/
Steven Foster, Trademark Attorney
Law Office 106
(571) 272-9318
Fax number for the Law Office: (571) 273-9106

RESPOND TO THIS ACTION: Applicant should file a response to this Office action online using the form at <http://www.uspto.gov/teas/eTEASpageD.htm>, waiting 48-72 hours if applicant received notification of the Office action via e-mail. For *technical* assistance with the form, please e-mail TEAS@uspto.gov. For questions about the Office action itself, please contact the assigned examining attorney. **Do not respond to this Office action by e-mail; the USPTO does not accept e-mailed responses.**

If responding by paper mail, please include the following information: the application serial number, the mark, the filing date and the name, title/position, telephone number and e-mail address of the person signing the response. Please use the following address: Commissioner for Trademarks, P.O. Box 1451, Alexandria, VA 22313-1451.

STATUS CHECK: Check the status of the application at least once every six months from the initial filing date using the USPTO Trademark Applications and Registrations Retrieval (TARR) online system at <http://tarr.uspto.gov>. When conducting an online status check, print and maintain a copy of the complete TARR screen. If the status of your application has not changed for more than six months, please contact the assigned examining attorney.

EXHIBIT B

This exhibit is designated Confidential – Attorneys’ Eyes Only pursuant to the protective order in this matter and will be promptly filed under seal, served on counsel and provided to the Court in its courtesy set.

HOFFMAN POLLAND & FURMAN, PLLC

Attorneys At Law
220 EAST 42nd STREET, SUITE 435
NEW YORK, NEW YORK 10017
(212) 338-0700
FAX (212) 338-0093
www.HPF-Law.com

August 20, 2008

BY FACSIMILE

Hon. Richard J. Holwell, U.S.D.J.
United States District Court
Southern District of New York
500 Pearl Street, Room 1950
New York, New York 10007

Re: Rapaport, et al. v. IDEXONLINE, et al.
04-06626 (RJH)

Dear Judge Holwell:

We represent plaintiffs in this matter, and write to request that the Court immediately schedule a September date for the filing of dispositive motions and a subsequent pretrial conference, and for leave to file 40-page moving briefs and 15-page reply briefs in connection with such motions.

The Court will recall that pursuant to the scheduling order entered in this case, dispositive motions were to be filed no later than March 31, 2008. At the last minute, and without notice to plaintiffs who had spent the better part of a month preparing such a motion, defendants (“IDEX”) requested that the deadline for dispositive motions be postponed and asked for leave to file an expert report after the deadline. Over plaintiffs’ vociferous objections, set forth in plaintiffs’ correspondence of March 25, 2008 (attached hereto for the Court’s convenience), the Court granted this request and left virtually all matters in this case besides expert discovery unscheduled.

Defendants asked for this delay to prepare and file an expert report. Defendants failed to do so – but managed to cost plaintiffs immense sums, and yet more precious time, in the process.

Fed. R. Civ. 26(a)(2)(B) requires that an expert’s report “must contain a **complete statement of all opinions the witness will express** and the basis and reasons for them . . . ,” not speculation about what the witness might say in an alternative universe. On April 24, 2008, defendants served what was styled the “expert’s report” of Paul Hinton, a consulting economist, which states in its summary (p. 5), “Once the necessary information is made available by

Rapaport, I expect to perform additional analysis to determine definitively whether Rapaport has engaged in predatory bundling and if so to estimate damages. I reserve the right to revise or supplement my opinions at that time.”

Similarly, at his deposition, Mr. Hinton confirmed that his “expert report” was “preliminary.”¹ Thus defendants delayed this case by half a year, imposed over \$50,000 in additional attorneys’ and experts’ fees on plaintiff to engage a rebuttal expert (whom defendants did not even see fit to depose) to address this “expert report” in which the “expert” repeatedly

¹ From the transcript:

Q: Is there any other information that you believe that if you had it would possibly change your conclusions or affect your conclusions as they have been set forth in the expert report?

A: I've identified materials that I think I need to review in order to form an opinion as to whether or not there was predatory anticompetitive behavior that occurred in this case.

...

Q: [Reading from Hinton report, then:] So it would appear that you are acknowledging that information that you had was not adequate and that you did not apply the tests proposed in the economic literature; is that correct?

A: Right. What I'm saying is the opinion in this report is, it doesn't go as far as to actually determine using the – some of the economic tests that are proposed in the literature, to determine whether or not predatory bundling occurs or not. But the opinion in this report is to look at the market structure and the conduct in this – of the parties and so on to do some preliminary analysis that allows us to identify whether or not there is a risk of anticompetitive conduct that would warrant further analysis.

...

Q: [C]an you recall any particular issues raised by [rebuttal expert] Dr. Salinger with which you take issue?

A: Primarily I take issue with what I think is sort of mischaracterization of my opinion in that I haven't -- in my expert report I have tried to make it clear that the scope of my assignment and the work that I did was to evaluate whether or not some of these economic theories, antitrust theories applied to this case and whether or not there was a risk of anticompetitive harm in this particular setting and not to actually determine whether or not predatory bundling actually occurred, right? And so I've actually stated in the report that, as we were just discussing, what I expect to be able to do is to apply some of the economic tests that you would need to do in order to come to an opinion as to whether predatory bundling actually occurred once that data becomes available, and so my objection to Salinger's report, overarching objection is he gives the impression in the report that I have already come to an opinion about that, and I haven't. . . . What I have done is I've done a preliminary analysis without the requisite data . . .

...

Q: Is that a very long way of saying, no, I have not come to such a conclusion?

A: Actually, my report states – states exactly that.

Q: Regarding both topics, refusal to deal and bundling?

A: Yes.

states that he needs and expects to receive “additional information.” The deadline for discovery, however, has long since passed; the Court has already (on February 7, 2008) denied a request by IDEX to extend that deadline; and after considerable motion practice, all disclosures relevant to the claims here have been ordered by the Court and such orders complied with by plaintiffs. Yet defendants’ “expert report” did not state an opinion at all, and defendants have neither met Rule 26(a)(2)(B)’s definition of an expert disclosure nor justified their insistence that the adjudication of the claims in this case be delayed while they procured one.

Defendants’ constant imposition of useless litigation costs never ends. The Court is aware of their refusal to dismiss their patent counterclaim, regarding which a motion is presently before Your Honor. Although discovery has been closed since February, IDEX has twice in the last month approached plaintiffs with proposed amended pleadings with a request that plaintiffs stipulate to their filing. The first of these was reviewed by plaintiffs’ legal team, following which plaintiffs declined to stipulate; but that amended answer, which defendants claimed they would file shortly thereafter, was never filed. Why then did plaintiffs have to bear the cost of reviewing it? Weeks later, yet another version has been transmitted, with the same preposterous request.

These are just the most recent examples of how IDEX has abused the legal process by imposing needless expense and delay on plaintiffs. The continuous delays of this litigation have allowed IDEX to devastate the value of plaintiff’s INDEX® trademark by offering identical services to the identical market, over the course of what is now going on five years.

For these reasons, plaintiffs once again request that the Court immediately set a date for late September by which the parties may file their dispositive motions and a date for a pretrial conference as to any remaining claims. We also respectfully request that the Court rule on the pending motion to dismiss the patent claim before summary judgment motions are filed.

Respectfully submitted,



Ronald D. Coleman

cc: Robert D. Kain, Esq. (email)
Esther S. Trakinski, Esq. (email)

HOFFMAN POLLAND & FURMAN, PLLC

Attorneys At Law
220 EAST 42nd STREET, SUITE 435
NEW YORK, NEW YORK 10017
(212) 338-0700
FAX (212) 338-0093
www.HPF-Law.com

March 25, 2008

BY FACSIMILE

Hon. Richard J. Holwell, U.S.D.J.
United States District Court
Southern District of New York
500 Pearl Street, Room 1950
New York, New York 10007

Re: Rapaport, et al. v. IDEXONLINE, et al., 04-06626 (RJH)

Dear Judge Holwell:

We write to oppose the last-minute request by IDEX, set forth in its letter of March 21, 2008 to scuttle the scheduling order because of its lack of planning. We also request, upon consent, that the Court permit the parties to submit briefs longer than the page limit provided in Your Honor's Individual Practices because both parties are expected to move for summary judgment on certain of their own and their adversaries' claims.

Plaintiffs will address IDEX's purported bases for its requests below. The Court, however, should understand what has "really happened" here. Notwithstanding the claim of all sorts of prejudice due to the supposedly late disclosures by plaintiffs—and despite repeated opportunities to put the issue before the Court, and while sparing no opportunity to ask the Court for all sorts of other things—IDEX simply never made a timely application for relief from the scheduling order painstakingly constructed last fall. Why, then, this request, at this juncture?

What did happen was that the undersigned sent an email to counsel suggesting a joint application for permission to file longer briefs for the upcoming motion, to which IDEX agreed, acknowledged at the same time that counsel "didn't realize [the motion] was coming up so fast"—the one thing never mentioned in IDEX's letter to the Court. Only after our client determined, considering the vast investment it has made in preparing the summary judgment motion for timely filing next Monday, that it could not consent to an extension of time, did IDEX's supposed problems with preparing for this motion loom so large.

Now we address, briefly, IDEX's various rationales put forward to obscure the truth here, namely that IDEX "didn't realize [the motion] was coming up so fast" and has treated the Court to a colorful display of footwork to obscure the fact that, ironically, it is IDEX that has been distracted by its own attention to wasteful diversions such as its demand for a patent summary judgment motion, innumerable applications for sanctions, and the like.

- The Court did **not** order plaintiffs to produce financial documents during the January 3 teleconference. It was not until the Court's February 7, 2008 order specifying categories of documents that plaintiffs were obligated to produce additional financial documents. This is not a technical point: The precise wording of the Court's February 7th order, which Your Honor explicitly instructed counsel at the time of the conference to abide, was obviously required before disclosure could be made of the sensitive and confidential information in question. Consistent with the Court's February 7th order, on February 28, plaintiffs produced tax returns and other financial information for various Rapaport entities and on March 5th, plaintiffs completed the production by turning over the 2007 profit and loss statement for Rapaport USA.
- Within weeks of the Court's February 7 order, plaintiffs collected and produced highly sensitive financial documents responsive to the relevant discovery requests. The Court should be aware that the Rapaport Group historically has not, as part of its normal operations, generated profit and loss or cash-flow statements for its businesses. Its practice was to transfer accounting journals to its accountants to prepare its tax returns. The fact that plaintiffs turned over tax returns in the absence of a court order specifically requiring their production demonstrates their good faith.
- The "12,000 pages" of documents referred to in footnote 1 of IDEX's letter (*i.e.*, the spreadsheets and e-mails authored by Yariv Segev, the Rapaport Group's chief economist) were not "dumped" on defendants over the course of three weeks in January. Plaintiffs produced half of the documents on January 8 and then (because of a mistake by their discovery vendor), produced the second half January 9. When IDEX counsel complained about the volume of the production, to make her review easier we re-served, on January 15th, a version of the same production with just Mr. Segev's e-mails (without the attachments).

In any case, that was in January. Notwithstanding when and how this production actually took place, IDEX has had this material for **over two months**.

- The testimony of IDEX's purported economics expert is entirely irrelevant and inadmissible because (as revealed by IDEX's November 29, 2007 letter) it relates to antitrust claims never pled. This is of a piece with IDEX's "surprise" strategy on its patent claims. The Court certainly cannot further extend the schedule to allow IDEX to try to bolster claims that are not even in the case.

- The fact that IDEX intends on moving to preclude James Berger's report is surprising, given the fact that IDEX (once it "realized" the explicit requirement of the Federal Rules of Civil Procedure that it would have to pay Mr. Berger's fee and expenses) cancelled Mr. Berger's deposition one day before it was scheduled to take place, and despite plaintiffs' incurring of substantial travel and preparation expenses in connection with that deposition. (We are preparing an invoice for IDEX so that reimbursement, as provided by the Federal Rules, may be made.)

In short, IDEX claims to have many reasons why it believes the Court should, on short notice, grant its application to scuttle the entire case schedule. But at no juncture does it admit the simple truth: It simply failed to allow itself time to prepare the summary judgment motion it committed months ago to file, if at all, on March 31st while bearing ahead with a request to make an unnecessary and fantastic patent summary judgment motion that is completely out of synch with what is going on in this case.

For the foregoing reasons, plaintiffs request that the Court deny IDEX's untimely and prejudicial request to put off the summary judgment schedule for non-patent claims, and grant the parties' joint request for an extension of the briefing page limit for that March 31st submission considering the nature of the pending motions to 40 pages for each side.

Respectfully submitted,



Ronald D. Coleman

cc: Robert D. Kain, Esq.
Esther S. Trakinski, Esq.
Michael Charish, Esq.

**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK**

<p>MARTIN RAPAPORT, RAPAPORT USA, INTERNET DIAMOND EXCHANGE, LLC and DIAMONDS.NET LLC,</p> <p style="text-align: center;">Plaintiffs,</p> <p style="text-align: center;">- vs.</p> <p>IDEX ONLINE, LTD., IDEX ONLINE S.A., IDEX ONLINE ISRAEL, LTD., JOHN DOES I-XX, and ROE CORPORATIONS I-XX,</p> <p style="text-align: center;">Defendants.</p>	<p style="text-align: center;">CIVIL ACTION NO. 04-06626 (RJH)</p> <p style="text-align: center;">DECLARATION OF RICHARD FERBER</p>
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Richard Ferber declares, pursuant to 28 U.S.C. § 1746:

1. I am the Financial Controller for Rapaport USA, a position I have held since February 2005. I make this declaration upon personal knowledge, and I respectfully submit it in support of plaintiffs' opposition to IDEX's motion to compel production dated September 5, 2008.
2. As Financial Controller for Rapaport USA, I am in charge of the Rapaport Group's financial operations. In addition to implementing financial policies and procedures, I am responsible for preparing financial statements on behalf of plaintiffs' various corporate entities, including Rapaport USA. I am also responsible for reviewing and approving all invoices submitted to the Rapaport Group.
3. I am aware that in a Disclosure Order dated February 7, 2008, the Rapaport Group was ordered to produce profit and loss statements, management reports, and detailed cash flow statements for INDEX, as well as documents itemizing the

specific costs and revenues attributable to the Rapaport Diamond Report and RapNet from INDEX. However, plaintiffs have never prepared such documents.

4. The Rapaport Group has never generated profit and loss or cash-flow statements for INDEX, which is not a separate business unit. Since INDEX became a separate service in 2005, the Rapaport Group's focus has been on how many diamonds are sold via INDEX and whether the business yields gross profits. Thus, the only financial documents pertaining directly to INDEX are the monthly e-mails and spreadsheets authored by Yariv Segev, chief economist for the Rapaport Group, which reflect the number of diamonds bought and sold through INDEX and the gross profits.

5. I am further aware that IDEX has requested plaintiffs to produce expenditures for advertising and promoting the INDEX brand and their revenues and profits derived from the services sold under the INDEX mark. However, with the exception of documents which reflect expenditures for INDEX that have been incurred at trade shows, no such financial documents have ever been prepared.

6. Finally, I have reviewed the invoices Dr. Michael Salinger submitted in connection with the expert report he prepared for this litigation. Dr. Salinger's invoices to the Rapaport Group totaled approximately \$106,000.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on January 27, 2009



RICHARD FERBER