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UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF WASHINGTON
AT SEATTLE

BLUE NILE, INC., a Delaware corporation,

Plaintiff,

v.

JAMES ALLEN DIAMONDS, INC., a
Maryland corporation; and
JAMESALLEN.COM LLC, a Maryland limited
liability company,

Defendants.

Case No. C07-1443Z

**DEFENDANTS' AMENDED
ANSWER AND COUNTERCLAIMS**

For its answer to the Complaint, Defendants James Allen Diamonds, Inc. and JamesAllen.com LLC (collectively "James Allen") state as follows:

I. INTRODUCTION

1. James Allen admits that plaintiff purports to have filed this action alleging that James Allen copied protected elements of Blue Nile, Inc.'s ("Blue Nile") website. James Allen denies the averments of paragraph 1 of the Complaint.

2. James Allen is without knowledge or information sufficient to form a belief as to the truth of the averments of paragraph 2 of the Complaint.

3. James Allen is without knowledge or information sufficient to form a belief as to the truth of the averments of paragraph 3 of the Complaint.

1 **B. The Blue Nile Websites**

2 17. James Allen is without knowledge or information sufficient to form a belief as to the
3 truth of the averments of paragraph 17 of the Complaint.

4 18. James Allen is without knowledge or information sufficient to form a belief as to the
5 truth of the averments of paragraph 18 of the Complaint.

6 19. James Allen is without knowledge or information sufficient to form a belief as to the
7 truth of the averments of paragraph 19 of the Complaint.

8 20. James Allen is without knowledge or information sufficient to form a belief as to the
9 truth of the averments of paragraph 20 of the Complaint.

10 **C. Protection of Blue Nile's Copyrights**

11 21. James Allen is without knowledge or information sufficient to form a belief as to the
12 truth of the averments of paragraph 21 of the Complaint.

13 22. James Allen is without knowledge or information sufficient to form a belief as to the
14 truth of the averments of paragraph 22 of the Complaint.

15 **D. James Allen Denies Any Wrongdoing**

16 23. James Allen denies the allegations of paragraph 23.

17 24. James Allen denies the allegations of paragraph 24.

18 **E. Protection of Blue Nile's Trademarks**

19 25. James Allen is without knowledge or information sufficient to form a belief as to the
20 truth of the averments of paragraph 25 of the Complaint.

21 26. James Allen is without knowledge or information sufficient to form a belief as to the
22 truth of the averments of paragraph 26 of the Complaint.

23 27. James Allen is without knowledge or information sufficient to form a belief as to the
24 truth of the averments of paragraph 27 of the Complaint.

25 28. James Allen is without knowledge or information sufficient to form a belief as to the
26 truth of the averments of paragraph 28 of the Complaint.

1 29. James Allen is without knowledge or information sufficient to form a belief as to the
2 truth of the averments of paragraph 29 of the Complaint.

3 30. James Allen is without knowledge or information sufficient to form a belief as to the
4 truth of the averments of paragraph 30 of the Complaint.

5 31. James Allen is without knowledge or information sufficient to form a belief as to the
6 truth of the averments of paragraph 31 of the Complaint.

7 **F. James Allen Denies Any Wrongdoing Regarding its Website**

8 32. James Allen denies the allegations of paragraph 32.

9 33. James Allen denies the allegations of paragraph 33.

10 34. James Allen denies the allegations of paragraph 34.

11 35. James Allen admits that Blue Nile has not authorized or consented to James Allen's use
12 of the BUILD YOUR OWN RING mark. James Allen denies the remaining allegations of
13 paragraph 35.

14 36. James Allen admits the allegations of paragraph 36.

15 37. James Allen denies the allegations of paragraph 37.

16 **V. CLAIMS**

17 **A. First Cause of Action**

18 38. James Allen incorporates by reference its responses to allegations raised in
19 paragraphs 1-24 above as if fully set forth herein.

20 39. James Allen denies the allegations of paragraph 39.

21 40. James Allen admits the allegations of paragraph 40.

22 41. James Allen denies the allegations of paragraph 41.

23 42. James Allen denies the allegations of paragraph 42.

24 43. James Allen admits the allegations of paragraph 43.

25 44. James Allen denies the allegations of paragraph 44

26 45. James Allen denies the allegations of paragraph 45.

1 46. James Allen denies the allegations of paragraph 46.

2 47. James Allen denies the allegations of paragraph 47.

3 **B. Second Cause of Action**

4 48. James Allen incorporates by reference its responses to allegations raised in
5 paragraphs 1-17 and 25-37 above as if fully set forth herein.

6 49. James Allen denies the allegations of paragraph 49.

7 50. James Allen admits that James Allen Diamonds, Inc. has exercised ownership and
8 control over the JamesAllen.com website. James Allen denies the remaining allegations of paragraph
9 50.

10 51. James Allen denies the allegations of paragraph 51.

11 52. James Allen denies the allegations of paragraph 52.

12 53. James Allen denies the allegations of paragraph 53.

13 54. James Allen denies the allegations of paragraph 54.

14 55. James Allen denies the allegations of paragraph 55.

15 **C. Third Cause of Action**

16 56. James Allen incorporates by reference its responses to allegations raised in
17 paragraphs 1-17 and 25-37 above as if fully set forth herein.

18 57. James Allen denies the allegations of paragraph 57.

19 58. James Allen denies the allegations of paragraph 58.

20 59. James Allen denies the allegations of paragraph 59.

21 **D. Fourth Cause of Action**

22 60. James Allen incorporates by reference its responses to allegations raised in
23 paragraphs 1-17 and 25-37 above as if fully set forth herein.

24 61. James Allen denies the allegations of paragraph 61.

25 62. James Allen denies the allegations of paragraph 62.

26

1 **VI. AFFIRMATIVE DEFENSES**

2 63. The Complaint fails to state a claim upon which relief can be granted.

3 64. This matter must be dismissed because this Court does not have personal jurisdiction
4 over the Defendants.

5 65. This matter must be dismissed because of improper venue.

6 66. Plaintiff has failed to join indispensable parties.

7 67. Plaintiff's claims are barred by the merger doctrine.

8 68. Plaintiff's claims are barred by laches and/or estoppel.

9 69. Plaintiff's claims are barred by the preemption doctrine.

10 70. Plaintiff's claims are barred by the doctrine of scense a faire.

11 71. Plaintiff's claims are barred because the copyright registrations pled in the Complaint
12 are invalid.

13 72. Plaintiff's claims are barred due to independent creation by James Allen.

14 73. Plaintiff's claims for monetary damages, fees, costs and injunctive relief are barred by
15 the safe harbors set forth in 17 U.S.C. § 512.

16 74. Plaintiff's claims are barred due to the lack of subject matter jurisdiction to the extent
17 plaintiff lacks valid copyright registrations.

18 75. To the extent based on the Form TX copyright registrations, Plaintiff's claims are
19 barred because the Form TX copyright registrations pled in the Complaint are invalid due to the fact
20 that they pertain to subject matter that is excluded from protection under 17 U.S.C. § 102(b).

21 76. Plaintiff's claims are barred because the asserted trademarks are invalid.

22 77. James Allen has not yet completed a thorough investigation or completed discovery on
23 all facts and circumstances of the subject matter of the Complaint, and therefore reserves the right to
24 amend, modify, revise or supplement this Answer, and to plead further affirmative defenses after
25 discovery herein, prior to trial.

1
2 **VII. COUNTERCLAIMS**

3 By way of further answer and as a counterclaim to the plaintiff's complaint, James Allen
4 alleges as follows:

5 **Nature of the Action**

6 1. This is an action for a declaratory judgment of noninfringement and invalidity of
7 copyrights/trademarks asserted by Blue Nile, Inc., as well as violations of state laws prohibiting unfair
8 competition and restraint of trade.

9 **The Parties**

10 2. James Allen Diamonds, Inc. is a Maryland corporation with its principal place of
11 business in Maryland. JamesAllen.com LLC is a Maryland limited liability company with its
12 principal place of business in Maryland. (Collectively, "James Allen.")

13 3. On information and belief, Blue Nile, Inc. ("Blue Nile") is a Delaware corporation and
14 maintains its principal place of business at 705 Fifth Avenue S, Suite 900, Seattle, Washington 98104.

15 **Jurisdiction and Venue**

16 4. This action arises under the Federal Declaratory Judgments Act, 28 U.S.C. §§ 2201 and
17 2202, and the copyright/trademark laws of the United States, 17 U.S.C. §101 *et seq.* and 15 U.S.C.
18 § 1125(a). An actual, substantial, and continuing justiciable controversy exists between James Allen
19 and Blue Nile to which James Allen requires a declaration of its rights by this Court. At present, the
20 controversy relates to the noninfringement and validity of copyrights and trademarks asserted by Blue
21 Nile and Blue Nile's right to threaten and maintain a suit for infringement of same. Additionally, this
22 controversy relates to violations of state laws prohibiting unfair competition and restraint of trade.
23 This Court has jurisdiction under 28 U.S.C. §§ 1331, 1338(a), 2201, and 2202.

24 5. This Court has jurisdiction over Blue Nile because it is located in this judicial district
25 and because it brought suit alleging copyright/trademark infringement here. Venue is proper pursuant
26 to 29 U.S.C. §§ 1391(b)-(c) and 1400(a).

1 **Factual Allegations**

2 6. Blue Nile has alleged ownership of copyrights in the diamond search feature used on its
3 websites, www.bluenile.com, www.bluenile.ca, and www.bluenile.co.uk, and of the following
4 corresponding copyright registrations (the “Copyright Registrations”):

5

Reg. No.	Reg. Date	Title
6 TX-6-349-238	June 21, 2006	Blue Nile Diamond Search (Public Beta Version) – Sliders 7 Section
8 TX 6-349-239	June 21, 2006	Blue Nile Diamond Search with Vertical Sliders (Public 9 Beta Version)

10
11 7. Blue Nile has alleged infringement by James Allen of the works claimed in the
12 Copyright Registrations (the “Copyrighted Works”).

13 8. James Allen denies copying the Copyrighted Works.

14 9. Blue Nile has alleged ownership of a proposed trademark, “BUILD YOUR OWN
15 RING,” as used on the specimen of record, which does not function as a service mark to indicate the
16 source of the services (the “Trademark”).

17 10. The proposed mark merely describes a feature of Blue Nile’s goods and/or services.

18 11. Blue Nile’s mark describes a feature of the online retail store services, that is, the
19 consumer is able to “build your own ring” by selecting the stone, setting, and band. Further, it is clear
20 that there is a competitive need to use these terms as this type of service is described similarly by other
21 merchants.

22 12. Blue Nile believes that it is vulnerable to the superior technology and services of actual
23 and/or potential competitors, including James Allen. Blue Nile understands that James Allen is unable
24 to compete with Blue Nile in the near term, but believes that by allowing any competitor, including
25 James Allen, to gain a foothold in the online diamond and jewelry retail sales marketplace in which
26 Blue Nile is vulnerable, could be very costly to Blue Nile and its market position.

1 23. This is an action for declaratory judgment of noninfringement of the Trademark.

2 24. James Allen has not infringed the Trademark.

3 25. There is an actual controversy, within the meaning of 28 U.S.C. §§ 2201 and 2202,
4 between James Allen and Blue Nile as to whether James Allen infringed the Trademark.

5 **FOURTH COUNTERCLAIM**
6 **(Declaratory Judgment of Invalidity of Trademark)**

7 26. James Allen repeats and realleges each and every preceding paragraphs, including, but
8 not limited to, James Allen's Affirmative Defenses, as fully set forth herein.

9 27. This is an action for declaratory judgment of invalidity of Blue Nile's Trademark.

10 28. Blue Nile's Trademarks are invalid for failure to comply with one or more
11 requirements of 15 U.S.C. § 1115.

12 29. James Allen desires and requests a judicial determination and declaration of the
13 respective rights and duties of the parties on the aforementioned dispute. Such a determination and
14 declaration is necessary and appropriate at this time so the parties may ascertain their respective rights
15 and duties regarding the invalidity of the Trademark.

16 **FIFTH COUNTERCLAIM**
17 **(Violation of State Law Unfair Competition and Restrain of Trade Laws)**

18 30. James Allen repeats and realleges each and every preceding paragraph, including, but
19 not limited to, James Allen's Affirmative Defenses, as fully set forth herein.

20 31. The conduct of Blue Nile as alleged above violates applicable state laws prohibiting
21 unfair competition, including, but not limited to, RCW § 19.86 with respect to (without limitation)
22 unfair competition and restraint of trade.

23 32. Blue Nile's violations have local significance and impact in the state of Washington
24 because online retailers of diamonds and jewelry do business in, service purchasers of diamonds
25 and/or jewelry, and/or are located in Washington.

26 33. Blue Nile's unreasonable, illegitimate, and predatory conduct has caused injury to
James Allen, as well as to competition in the relevant market. As a result, James Allen has suffered

1 damages in an amount to be proved at trial.

2 WHEREFORE, Defendants request the following relief:

3 A. A jury trial.

4 B. That this Court award judgment in James Allen's favor on its counterclaims, including
5 damages in amounts to be proven at trial.

6 C. That this Court enter judgment declaring that James Allen does not infringe any of the
7 Copyrighted Works.

8 D. That this Court enter judgment declaring that the Copyright Registrations are invalid
9 and for cancellation of same.

10 E. That Blue Nile's Complaint be dismissed with prejudice and without an award of
11 damages, costs or fees of any kind to Blue Nile.

12 F. That Defendants be awarded their costs and attorneys' fees incurred in this action.

13 G. That Defendants be awarded such other relief as the Court deems proper and just.

14 DATED: November 28, 2007

Respectfully submitted,

TOWNSEND AND TOWNSEND AND CREW LLP

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1 **CERTIFICATE OF SERVICE**

2 I hereby certify that on the 28th day of November, 2007, the foregoing DEFENDANTS'
3 AMENDED ANSWER AND COUNTERCLAIMS was filed with the Court using the CM/ECF
4 system which will send notification of such filing to the following:
5

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10

11
12 /s/ Steven P. Fricke
13 Steven P. Fricke
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