PUBLIC

UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
OFFICE OF ADMINISTRATIVE LAW JUDGES

In the Matter of **1-800 CONTACTS, INC.,** **a corporation.**	**Docket No. 9372**

RESPONDENT'S OPPOSITION TO COMPLAINT COUNSEL'S MOTION TO BAR PRESENTATION OF TESTIMONY AND ARGUMENTS CONTRADICTING CERTAIN ISSUES RESPONDENT LITIGATED AND LOST IN *1-800 CONTACTS v. LENS.COM*

TABLE OF CONTENTS

Page

TABLE OF AUTHORITIES

Page

FEDERAL CASES

TABLE OF AUTHORITIES
(continued)

Page

TABLE OF AUTHORITIES
(continued)

Page

TREATISES

I. INTRODUCTION

Complaint Counsel's motion fails to meet the strict showings required for application of offensive collateral estoppel. The motion seeks preclusion as to abstract propositions that go beyond the fact-specific context that the Tenth Circuit made clear was essential to its decision in *1-800 Contacts, Inc. v. Lens.com, Inc.*, 722 F.3d 1229 (10th Cir. 2013). Complaint Counsel apparently seek to have the Court hold that because 1-800 Contacts, Inc. ("1-800") lost one fact-specific trademark case, the Court should find, based on collateral estoppel, that 1-800 would have lost every other trademark case it brought or might have brought, including the cases that it settled. But each of those settled cases arose on its own particular facts and *Lens.com* did not decide the factual issues presented in any of those other cases.

Complaint Counsel's effort to pre-ordain the results in cases that were never litigated to finality is not just improper, it also is unfair. Complaint Counsel allege that the challenged settlements "exceed the scope of any property right that 1-800 Contacts may have in its trademarks. . . ." Cmplt., ¶ 32. Accordingly, the question here is not whether 1-800 would win every trademark case, but whether the relief it obtained through its settlement agreements was within the scope of the relief available to those whose trademarks are infringed (or who are otherwise injured by tortious conduct). Far from proving Complaint Counsel's allegation, *Lens.com* refutes it.

The Tenth Circuit noted that "one who searches for a particular business with a strong mark and sees an entry on the results page will naturally infer that the entry is for that business." 722 F.3d at 1245. This conclusion is consistent with extensive precedent recognizing that claims challenging advertising presented in response to searches for another firm's trademark are proper and can be resolved by settlements of the very form challenged here. *See* Raphael Decl. ¶¶ 4-9 & Exhibits 2-40 (collecting precedents).

As such, Complaint Counsel's antitrust challenge to 1-800's settlements reduces to questioning whether the settling parties should have fought on, rather than settling, or should have negotiated for a "better deal." But, "it is usually unwise for courts to second-guess such decisions" because "the parties are in the best position to determine what protections are needed and how to resolve disputes concerning earlier trademark agreements between themselves." *Clorox Co. v. Sterling Winthrop, Inc.*, 117 F.3d 50, 60 (2d Cir. 1997).

As explained below, well-settled preclusion law prevents Complaint Counsel from using one court's fact-specific and decades-old decision to meet their burden of proof.

II. ARGUMENT

Collateral estoppel applies only when an issue actually decided in a prior suit is "identical in all respects" to an issue presented in the instant case. *Comm'r of Internal Rev. v. Sunnen*, 333 U.S. 591, 599–600 (1948). Moreover, where, as here, a party seeks to make offensive use of collateral estoppel, these already stringent prerequisites must "be applied strictly." *In re Microsoft Corp. Antitrust Litig.*, 355 F.3d 322, 327 (4th Cir. 2004); *see also Winters v. Diamond Shamrock Chem. Co.*, 149 F.3d 387, 395 n.9 (5th Cir. 1998). Even then, application of offensive collateral estoppel is discretionary, and where it "would be unfair to a defendant, a trial judge should not allow the use of offensive collateral estoppel." *Parklane Hosiery Co. v. Shore*, 439 U.S. 322, 331 (1979).[1]

Collateral estoppel should not be applied here because (1) the findings in *Lens.com* were context-specific, (2) the issues from *Lens.com* identified for preclusion are not identical to issues here, and (3) circumstances have changed in material respects.

A. The Findings in *Lens.com* Were Context-Specific

In *Lens.com*, 1-800 alleged that, between 2005 and 2007, Lens.com

[1] Complaint Counsel concede that collateral estoppel is not available if it would "work an unfairness," Mot. at 6, but offer no explanation for their assertion that "[t]he standard unfairness claims are inapplicable here." *Id*. n.30.

infringed by causing Lens.com advertisements to be displayed in response to searches for 1-800's trademark. 722 F.3d at 1235-37. Although the district court dismissed 1-800's infringement claim on the ground that, "as a matter of law," such a "keyword use can generate a likelihood of confusion only in combination with the specific language of the resulting impressions," the Tenth Circuit, reviewing *de novo*, expressly reserved decision on that issue, stating that it "need not resolve the matter because 1–800's direct-infringement claim fails for lack of adequate evidence of initial-interest confusion." *Id.* at 1242-43.[2] The Tenth Circuit explained that the existence of such confusion turns on multiple factors that "depend very much on context" and noted "the danger of applying the factors mechanically without attention to context." *Id.* at 1243-44.

The Tenth Circuit acknowledged that users who clicked on a Lens.com advertisement displayed in response to a search for 1-800's trademark "may have been confused into thinking that Lens.com was affiliated with 1–800." 722 F.3d at 1244. But the Court found that, in 2005-2007, such "initial-interest confusion occurred *at most* 1.5% of the time" with respect to the Lens.com advertisements and concluded that "[t]his number cannot support an inference that Lens.com's keyword activity was likely to lure consumers away from 1–800." *Id*. The Tenth

[2] Subsequent decisions demonstrated that the District Court erred. *See, e.g.,* Raphael Decl. at ¶¶ 4-9 & Exhibits 2-40.

Circuit also held that 1-800 "presented enough evidence to support a claim of contributory infringement" as to paid search advertisements presented by Lens.com affiliates on Lens.com's behalf, where the evidence showed a greater number of consumers were affected. *Id.* at 1255.

Lens.com stands only for the context-specific finding that the particular advertisements presented by Lens.com on results pages that have since changed, as opposed to those presented by its affiliates, did not cause enough confusion to violate the Lanham Act. That finding is specific to a particular time frame and particular advertisements that are not at issue here. Accordingly, collateral estoppel does not apply. Complaint counsel have not identified "an issue of fact" in the current case that was "actually litigated and determined by a valid and final judgment. " *Arizona v. California*, 530 U.S. 392, 414 (2000); *see also Postlewaite v. McGraw-Hill*, 333 F.3d 42, 48 (2d Cir. 2003) ("If an issue was not actually decided in the prior proceeding . . . its litigation in a subsequent proceeding is not barred by collateral estoppel.").

B. Complaint Counsel Have Not Sought Preclusion on Issues Identical to Issues That Were Actually Decided in *Lens.com*

With its "Issue No. 1," Complaint Counsel seeks to prevent 1-800 from challenging the following conclusion:

> "Lens.com's Keyword Use, which resulted in the display of advertisements that did not include Respondent's trademark (or variations), on search-results pages in response to user queries for

> Respondent's trademark and variations thereof, was not likely to cause consumer confusion."

Motion, p. 6.[3] But this conclusion is not "identical in all respects" to any issue decided in *Lens.com*. *Sunnen*, 333 U.S. at 599–600. The Tenth Circuit made clear that the existence of an actionable level of confusion turns on multiple factors that "depend very much on context." 722 F.3d at 1243. Complaint Counsel's Issue No. 1 does not incorporate any aspects of the context in which the advertisements at issue appeared, which was critical to the findings of the *Lens.com* decision. Thus, collateral estoppel must be denied.

In an effort to avoid burdening the Court, 1-800 offered to stipulate to what the *Lens.com* court did find, as described above. Raphael Decl. ¶ 3 & Exhibit 1. However, Complaint Counsel rejected 1-800's offer, *id.*, insisting on seeking estoppel as to broad, abstract propositions not identical to any issue actually decided in *Lens.com*.

Complaint Counsel also seek to preclude 1-800 from contesting "Issue No. 2":

> "Search advertising by a contact lens retailer other than Respondent in response to a user search for Respondent's mark is not always or inherently likely to cause consumer confusion."

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[3] "Lens.com's Keyword Use" is a defined term limited to the fact that "[b]etween 2005 and 2007, Lens.com bid in search advertising auctions on nine terms similar to Respondent's trademark '1-800 Contacts' . . . ." Mot. at 3.

Mot. at 7.

The Tenth Circuit did not make any such general finding. It merely found, in the fact- and advertisement-specific context presented to it, that 1-800 failed to carry its burden of proving direct infringement, while at the same time finding that there was a triable issue as to contributory infringement and allowing that claim to proceed. This is quite different from Complaint Counsel's Issue No. 2 because it is limited to a particular fact-specific context, which Issue No. 2 is not.

Further, Issue No. 2 is unclear and imprecise. As *Lens.com* demonstrates, a paid search advertisement can have the potential or be likely to confuse some consumers even if, depending on the advertisement and the display of the results page, it does not have widespread enough potential for a trademark plaintiff to prevail. Complaint Counsel's failure to distinguish between an advertisement's potential to confuse and the scope of the potential confusion precludes the necessary finding that "the issues in the two cases are indeed identical." *B & B Hardware, Inc. v. Hargis Indus., Inc.*, 135 S. Ct. 1293, 1306 (2015). *See Offshore Sportswear, Inc. v. Vuarnet Int'l, B.V.*, 114 F.3d 848, 850 (9th Cir. 1997) (party invoking estoppel has "burden of showing with clarity and certainty what was determined by the prior judgment."). Indeed, any doubt about whether Issue No.2 goes beyond *Lens.com*'s findings must be resolved in 1-800's favor. *See United*

States v. Ruhbayan, 325 F.3d 197, 203 (4th Cir. 2003); *Witkowski v. Welch*, 173 F.3d 192, 206 (3d Cir. 1999); *Chew v. Gates*, 27 F.3d 1432, 1438 (9th Cir. 1994).

To the extent that Complaint Counsel's point is that a trademark owner cannot prove that each and every advertisement displayed in response to searches for its trademarks, standing alone, creates trademark infringement liability, a motion on that issue would be misdirected. The issue here is not whether 1-800 could have proven or should have been required to prove its underlying cases advertisement by advertisement.

If Complaint Counsel seek to bar 1-800 from presenting evidence that all paid search advertisements in response to a search for a trademark have some potential to confuse, *Lens.com* does not support this proposition. *Lens.com* expressly noted that 1-800 presented evidence consistent with the theory that users "may have been confused into thinking that Lens.com was affiliated with 1–800," 722 F.3d at 1244, and that "one who searches for a particular business with a strong mark and sees an entry on the results page will naturally infer that the entry is for that business." *Id.* at 1245. A finding here that paid search advertisements on 1-800's trademark have an inherent potential to confuse would not be inconsistent with a finding that the potential confusion identified in *Lens.com* was not sufficiently widespread to sustain a direct infringement claim in the particular circumstances there. *Contra* Mot. at 7-8.

Further, such a finding says nothing about whether other advertisements will be confusing or actionable in the future. That is why, unlike in *Rambus*, Complaint Counsel cannot point to any language in *Lens.com* that decided anything as to past, present and future advertisements, other than those placed directly by Lens.com. As the Federal Circuit noted when reversing a finding of collateral estoppel in a trademark case, "the court [in the prior litigation] did not and could not decide questions that were not before it, including the matter of usage and public perception years into the future." *Opryland USA Inc. v. Great American Music Show, Inc.*, 970 F.2d 847, 854 (Fed. Cir. 1992).

C. Changed Circumstances Also Bar Collateral Estoppel

Complaint Counsel's motion also must be denied because "collateral estoppel is no defense when the controlling facts have changed in between the first and second suits." *Tyler v. Harper*, 744 F.2d 653, 657 (8th Cir. 1984); Restatement (Second) of Judgments § 24, comment f (1980). Courts therefore have declined to give preclusive effect to findings regarding consumer confusion where market conditions have changed since the prior judgment.[4]

[4] *See First Nat'l Bank in Sioux Falls v. First Nat'l Bank S. Dakota SPC*, No. CIV. 06-4101, 2008 WL 895931, at *5 (D.S.D. Mar. 31, 2008), *aff'd*, 679 F.3d 763, 768 (8th Cir. 2012); *Minarik Elec. Co.*, 223 F. Supp. 2d 334, 341 (D. Mass. 2002); *Plus Prods. v. Nat. Organics, Inc.*, No. CV 81-1798, 1984 WL 33, at *2 (E.D.N.Y. Feb. 3, 1984); *Miss Universe, Inc. v. Kidney Found. of New York, Inc.*, No. 80 CIV. 5690, 1981 WL 48176, at *4 (S.D.N.Y. Feb. 26, 1981).

Paid search advertising has changed markedly since Lens.com ran advertisements between 2005 and 2007. As the Commission highlighted in 2013, "[i]n recent years, the features traditional search engines use to differentiate advertising from natural search results have become less noticeable to consumers, especially for advertising located immediately above the natural results ('top ads')."[5] In 2016, Google observed that more than half of Google searches are made on mobile devices, which "completely transformed how we think about and build AdWords," its paid search advertising platform.[6] And a declaration from [redacted] in this matter explains that it has changed how it displays search advertisements since 2009. Raphael Decl. Exhibit 41 ¶¶ 4, 16-19.

Because, as the Commission wrote, "the ways in which search engines retrieve and present results, and the devices on which consumers view these results, are constantly evolving," fn. 4, *supra*, *Lens.com*'s findings may not be mechanically applied today, let alone categorically into the future to all advertisements on all search engines on all devices. Likelihood of confusion from paid search advertisements is "'an inherently factual issue that depends on the facts

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[5] http://www.ftc.gov/sites/default/files/attachments/press-releases/ftc-consumer-protection-staff-updates-agencys-guidance-search-engine-industryon-need-distinguish/130625searchenginegeneralletter.pdf.

[6] https://adwords.googleblog.com/2016/05/ads-and-analytics-innovations-for-a-mobile-first-world.html

and circumstances in each case.'" *Rosetta Stone Ltd. v. Google, Inc.*, 676 F.3d 144, 153 (4th Cir. 2012). "[C]are must be exercised as the determination of that issue may involve many factors, not all of which remain the same over a period of time." *Old Grantian Co. v. William Grant & Sons Ltd.*, 361 F.2d 1018, 1022 (C.C.P.A. 1966); *see also Minarik Elec. Co.*, 223 F. Supp. 2d at 341.

Finally, collateral estoppel does not apply because "the burden of persuasion has shifted from the time of the first action to the second." *Artukovic v. INS*, 693 F.2d 894, 898 (9th Cir. 1982); *see also Medtronic, Inc. v. Mirowski Family Ventures, LLC*, 134 S.Ct. 843, 850 (2014); Restatement (Second) of Judgments § 28. In *Lens.com,* 1-800 had the burden of proof in enforcing its trademark rights. Here, by contrast, Complaint Counsel have the burden to prove that the challenged settlements "exceed the scope of any property right that 1-800 Contacts may have in its trademarks. . . ." Cmplt., ¶ 32. The fact that 1-800 lost *Lens.com* does not bar 1-800 from challenging the sufficiency of Complaint Counsel's evidence, or Complaint Counsel's theory of trademark law, in a case in which Complaint Counsel now has the burden of proof.

For these reasons, Complaint Counsel's motion should be denied.

DATED: February 7, 2017

Respectfully submitted,

/s/ Justin P. Raphael

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UNITED STATES OF AMERICA
BEFORE THE FEDERAL TRADE COMMISSION
OFFICE OF THE ADMINISTRATIVE LAW JUDGES

In the Matter of **1-800 CONTACTS, INC.,** **a corporation**	**PUBLIC** **Docket No. 9372**

DECLARATION OF JUSTIN P. RAPHAEL IN SUPPORT OF RESPONDENT'S OPPOSITION TO COMPLAINT COUNSEL'S MOTION TO BAR PRESENTATION OF TESTIMONY AND ARGUMENTS CONTRADICTING CERTAIN ISSUES RESPONDENT LITIGATED AND LOST IN 1-800 CONTACTS v. LENS.COM

I, Justin P. Raphael, declare as follows:

1. I am an attorney at the law firm of Munger, Tolles & Olson LLP, counsel for Respondent 1-800 Contacts, Inc. in this matter. I am duly licensed to practice law before the courts of the State of California and have appeared in the action pursuant to Rule 4.1 of the Commission's Rules of Practice.

2. I submit this Declaration in Support of Respondent's Opposition to Complaint Counsel's Motion to Bar Presentation of Testimony and Arguments Contradicting Certain Issues Respondent Litigated and Lost in *1-800 Contacts v.*

Lens.com. I have personal knowledge of the facts stated in this declaration and, if called as a witness, could competently testify to them.

3. On February 4, 2017, I e-mailed Complaint Counsel a proposed stipulation that would resolve this motion. On February 6, 2017, Complaint Counsel responded by e-mail rejecting the proposed stipulation. A true and correct copy of an e-mail chain containing my February 4, 2017 e-mail and Complaint Counsel's February 6, 2017 response is attached as Exhibit 1.

4. Attached to this declaration as Exhibits 2 through 6 are the following cases in which motions to dismiss claims of trademark infringement based on the display of search-engine keyword advertisements in response to searches for trademarked terms were denied:

a. Exhibit 2: *FragranceNet.com, Inc. v. Les Parfums, Inc.*, No. 09-cv-02626-JFB-ETB (Dkt. 18) (E.D.N.Y., Dec. 8, 2009);

b. Exhibit 3: *LBF Travel v. Fareportal, Inc.*, No. 13 Civ. 9143, 2014 U.S. Dist. LEXIS 156583 (S.D.N.Y. Nov. 5, 2014);

c. Exhibit 4: *j2 Glob. Commc'ns, Inc. v. Zilker Ventures, LLC*, No. CV 08-07470 SJO AJWX, 2009 WL 10290698 (C.D. Cal. Apr. 22, 2009);

d. Exhibit 5: *Morningware, Inc. v. Hearthware Home Prod., Inc.*, 673 F. Supp. 2d 630 (N.D. Ill. 2009).

5. Attached to this declaration as Exhibit 6 is the following case in which a court granted a preliminary injunction on claims of trademark infringement based on the display of search-engine keyword advertisements in response to searches for trademarked terms:

a. Exhibit 6: *Partners for Health & Home, L.P. v. Yang*, No. CV 09-07849-CBM (Dkt. 45) (C.D. Cal. Sept. 13, 2010).

6. Attached to this declaration as Exhibits 7 through 14 are the following cases in which summary judgment brought by defendants on claims of trademark infringement based on the display of search-engine keyword advertisements in response to searches for trademarked terms:

a. Exhibit 7: *800-JR Cigar, Inc. v. GoTo.com, Inc.*, 437 F. Supp. 2d 273, 285 (D.N.J. 2006);

b. Exhibit 8: *Edible Arrangements, LLC v. Provide Commerce, Inc.*, No. 14-cv-00250 (VLB), 2016 WL 4074121 (D. Conn. July 29, 2016);

c. Exhibit 9: *Google Inc. v. Am. Blind & Wallpaper*, No. C 03-5340JF(RS), 2007 WL 1159950 (N.D. Cal. Apr. 18, 2007);

d. Exhibit 10: *Gravity Defyer Corp. v. Under Armour, Inc.*, No. LA CV13-018942 JAK (JCGx), 2014 WL 3766724 (C.D. Cal. July 7, 2014);

e. Exhibit 11: *Morningware, Inc. v. Hearthware Home Prods., Inc.*, No. 09 C 4348, 2012 WL 3721350 (N.D. Ill. Aug. 27, 2012);

f. Exhibit 12: *Pensacola Motor Sales v. E. Shore Toyota, LLC*, No. 3:09CV571/RS-MD, 2010 WL 3781552 (N.D. Fla. Sept. 23, 2010);

g. Exhibit 13: *Rosetta Stone Ltd. v. Google, Inc.*, 676 F.3d 144 (4th Cir. 2012);

h. Exhibit 14: *SanMedica Int'l, LLC v. Amazon.com, Inc.*, No. 2:13-cv-00169-DN, 2016 WL 527055 (D. Utah Jan. 20, 2016);

i. Exhibit 15: *Soaring Helmet Corp. v. Nanal, Inc.*, No. C09-0789JLR, 2011 WL 39058 (W.D. Wash. Jan. 3, 2011).

7. Attached to this declaration as Exhibits 15 through 19 are the following cases in which summary judgment brought by plaintiffs on claims of trademark infringement based on the display of search-engine keyword advertisements in response to searches for trademarked terms was granted:

a. Exhibit 16: *FenfF LLC v. Smartthingz, Inc.*, No. 12-CV-14770, 2014 WL 1304779 (E.D. Mich. Mar. 28, 2014);

b. Exhibit 17: *Partners for Health & Home, L.P. v. Yang*, No. CV 09-07849-CBM (Dkt. 113) (C.D. Cal. Sept. 13, 2010).

c. Exhibit 18: *Soilworks, LLC v. Midwest Indus. Supply, Inc*., 575 F. Supp. 2d 1118, 1133 (D. Ariz. 2008) , order clarified, No. CV-06-2141-PHX-DGC, 2008 WL 4173623 (D. Ariz. Sept. 5, 2008);

d. Exhibit 19: *Storus Corp. v. Aroa Mktg., Inc*., No. C-06-2454 MMC, 2008 WL 449835 (N.D. Cal. Feb. 15, 2008);

e. Exhibit 20: *Zerorez Franchising Sys. v. Distinctive Cleaning, Inc*., 103 F. Supp. 3d 1032 (D. Minn. May 5, 2015).

8. Attached to this declaration as Exhibits 20 and 21 are the following cases in which courts granted relief after trial on claims of trademark infringement based on the display of search-engine keyword advertisements in response to searches for trademarked terms:

a. Exhibit 21: *Binder v. Disability Grp., Inc*., 772 F. Supp. 2d 1172 (C.D. Cal. 2011);

b. Exhibit 22: *Skydive Ariz., Inc. v. Quattrocchi*, No. CV-05-2656-PHX-MHM, 2010 WL 1743189 (D. Ariz. Apr. 29, 2010).

9. Attached to this declaration as Exhibits 23 through 40 are the following cases in which courts granted default judgments or stipulated injunctions pursuant to settlement agreements on claims of trademark infringement t based on the display of search-engine keyword advertisements in response to searches for trademarked terms:

a. Exhibit 23: *Decoratetoday.com, Inc. v. Am. Blind & Accessory Co.*, No. 01-cv-70804-DT (Dkt. 264-4) (E.D. Mich. Jan. 26, 2007);

b. Exhibit 24: *Eclipse Aesthetics v. Regenlab USA, LLC*, No. 3:15-cv-03748-M (Dkt. 25) (N.D. Tex. Jan. 11, 2016);

c. Exhibit 25: *FragranceNet.com*, *Inc. v. Les Parfums, Inc*., No. 09-cv-02626-JFB-ETB (Dkt. 22) (E.D.N.Y., Mar. 8, 2009);

d. Exhibit 26: *Glob. Tel-Link Corp. v. Jail Call Servs*., LLC, No. 1:14-CV-1557, 2015 WL 1936502 (E.D. Va. Apr. 28, 2015);

e. Exhibit 27: *Gonzales & Gonzales Bonds & Ins. Agency, Inc. v. Action Immigration Bonds & Ins. Servs., Inc*., No. CV 10-01162 (Dkt. 15) (C.D. Cal. April 7, 2010);

f. Exhibit 28: *Greenberg Smoked Turkeys Inc. v. Tsavo Media Inc*., 6:11-cv-00037-LED (Dkt. 29) (E.D. Tex. Jan. 23, 2012);

g. Exhibit 29: *Happy Feet USA, Inc. v. Serenity "2000" Corp*., No. 6:09-cv-1832 (Dkt. 22) (M.D. Fla. Mar. 16, 2010);

h. Exhibit 30: *J-Rich Clinic, Inc. v. Cosmedic Concepts, Inc*., No. 02-CV-74324 (Dkt. 359) (E.D. Mich. May 16, 2006);

i. Exhibit 31: *Joshua David Mellberg, LLC v. Advanced Retirement Income Sols*., LLC, No. 12-cv-854 (Dkt. 89) (D. Ariz. Oct. 27, 2016);

j. Exhibit 32: *Louis Vuitton Malletier, S.A. v. Abags.co.UK*, No. 14-Civ-60288, 2015 WL 11197741 (S.D. Fla. Feb. 27, 2015);

k. Exhibit 33: *Lounge 22, LLC v. Brand X Furniture*, No. CV 09-3692 (Dkt. 26) (C.D. Cal. Oct. 16, 2009);

l. Exhibit 34: *Probar, LLC v. Onebody*, No. 14-cv-166 (Dkt. 18) (M.D. Fla. Oct. 29, 2014);

m. Exhibit 35: *Quidgeon v. Olsen*, No. 10-cv-1168, 2011 WL 1480537 (C.D. Ill. Apr. 19, 2011);

n. Exhibit 36: *Rolex Watch U.S.A., Inc. v. Jesus Eloy Hernandez*, No. 13-cv-20643-CIV (Dkt. 14) (S.D. Fla. Aug. 20, 2013);

o. Exhibit 37: *Transamerica Corp. v. Moniker Online Servs*., LLC, No. 09-60973-CIV, 2010 WL 1416979 (S.D. Fla. Apr. 7, 2010);

p. Exhibit 38: *World Entm't, Inc. v. Brown*, No. CIV.A. 09-5365, 2011 WL 2036686 (E.D. Pa. May 20, 2011);

q. Exhibit 39: *Weightwatchers.com, Inc. v. Diet Patch, Inc*., No. CV 04-04053-LAP (Dkt. 90) (S.D.N.Y. Apr. 18, 2015);

r. Exhibit 40: *Young Again Prods., Inc. v. Acord*, No. RWT 03CV2441 (Dkt. 264) (D. Md. Mar. 25, 2009).

10. Attached to this declaration as Exhibit 41 is a true and correct copy of the Declaration of [redacted] dated February 6, 2017.

Executed on February 7, 2017, in San Francisco, California.

/s/Justin P. Raphael
Justin P. Raphael

CERTIFICATE OF SERVICE

I hereby certify that on February 7, 2017, I filed **RESPONDENT'S OPPOSITION TO COMPLAINT COUNSEL'S MOTION TO BAR PRESENTATION OF TESTIMONY AND ARGUMENTS CONTRADICTING CERTAIN ISSUES RESPONDENT LITIGATED AND LOST IN *1-800 CONTACTS v. LENS.COM*** using the FTC's E-Filing System, which will send notification of such filing to all counsel of record as well as the following:

Donald S. Clark
Secretary
Federal Trade Commission
600 Pennsylvania Ave., NW, Rm. H-113
Washington, DC 20580

The Honorable D. Michael Chappell
Administrative Law Judge
Federal Trade Commission
600 Pennsylvania Ave., NW, Rm. H-110
Washington, DC 20580

DATED: February 7, 2017 By: *<u>/s/ Justin P. Raphael</u>*
Justin P. Raphael

CERTIFICATE FOR ELECTRONIC FILING

I hereby certify that the electronic copy sent to the Secretary of the Commission is a true and correct copy of the paper original and that I possess a paper original of the signed document that is available for review by the parties and the adjudicator.

DATED: February 7, 2017 By: *<u>/s/ Justin P. Raphael</u>*
Justin P. Raphael

EXHIBIT 1

[redacted]

From: Clair, Kathleen <kclair@ftc.gov>
Sent: Monday, February 06, 2017 6:44 AM
To: Raphael, Justin; Blank, Barbara; Loughlin, Chuck; Slaiman, Charlotte; Matheson, Daniel; Green, Geoffrey; Chiarello, Gustav; Gray, Joshua Barton; Taylor, Mark; Hopkin, Nathaniel; BC-1040-1800-Search Ad Team-DL; Brock, Thomas H.
Cc: ~800CON_FTC_ATTYS; Sean Gates <sgates@charislex.com> (sgates@charislex.com)
Subject: RE: Docket No. 9372: Complaint Counsel's Motion to Bar Presentation of Testimony

Justin,

Thank you very much for providing this suggestion. We have discussed it internally, and believe it does not accurately reflect the scope of the estoppel effect that Lens.com has in this case.

Katie

Kathleen M. Clair
Anticompetitive Practices Division
Bureau of Competition | Federal Trade Commission
202.326.3435

From: Raphael, Justin [mailto:Justin.Raphael@mto.com]
Sent: Saturday, February 04, 2017 12:33 AM
To: Blank, Barbara; Loughlin, Chuck; Slaiman, Charlotte; Matheson, Daniel; Green, Geoffrey; Chiarello, Gustav; Gray, Joshua Barton; Clair, Kathleen; Taylor, Mark; Hopkin, Nathaniel; BC-1040-1800-Search Ad Team-DL; Brock, Thomas H.
Cc: ~800CON_FTC_ATTYS; Sean Gates <sgates@charislex.com> (sgates@charislex.com)
Subject: Docket No. 9372: Complaint Counsel's Motion to Bar Presentation of Testimony

Counsel:

I write regarding Complaint Counsel's Motion to Bar Presentation of Testimony and Arguments Contradicting Certain Issues Respondent Litigated and Lost in *1-800 CONTACTS v. LENS.COM*.

As you know from our meet-and-confer, Respondent believes that Complaint Counsel's motion lacks merit and should be denied. Nevertheless, to avoid burdening the Court with additional motion practice, if Complaint Counsel agree to withdraw their motion, Respondent would agree to stipulate to the following, which properly reflects the actual findings in *Lens.com*:

Based on how search engines displayed organic search results and paid search advertising in 2005 through 2007, and on the totality of evidence before the court in the *Lens.com* case, the incidence of potential confusion (1.5%) from Lens.com advertisements in those years did not support a finding that confusion was likely where the advertisements were substantially dissimilar, were clearly labeled as advertisements, clearly identified their source, and did not include Respondent's trademark or variations thereof in their text.

Please let us know as soon as possible if Complaint Counsel agree to this proposal.

Best,

Justin P. Raphael | **Munger, Tolles & Olson LLP**
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EXHIBIT 2

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF NEW YORK

№ 09-CV-2626 (JFB)(ETB)

FRAGRANCENET.COM, INC.

Plaintiff,

VERSUS

LES PARFUMS, INC., ET AL.

Defendants.

MEMORANDUM AND ORDER
December 8, 2009

JOSEPH F. BIANCO, District Judge:

Plaintiff FragranceNet.com, Inc. (hereinafter, "plaintiff" or "FragranceNet") brings this action against defendants Les Parfums, Inc., Les Perfumes, Inc., UltraFragrances, Inc., Ultra Fragrances, Inc., and UltraFragrances.com (collectively, "defendants"), alleging that defendants' use of plaintiff's trademarks constitutes trademark infringement, trademark dilution, passing off, and unfair competition in violation of the Lanham Act, 15 U.S.C. § 1114, 1125(a) & 1125(c). Plaintiff also brings pendent state claims, including: common law trademark infringement, state law dilution, injury to business reputation, unfair competition, unfair and deceptive practices, misappropriation, and unjust enrichment.

Presently before the Court is defendants' motion to dismiss the complaint under Rule 12(b)(6) of the Federal Rules of Civil Procedure. Specifically, defendants contend that plaintiff's registered trademarks – namely, "FRAGRANCENET" and "FRAGRANCENET.COM" – are not protectable as a matter of law under the trademark laws because the marks are generic. For the reasons set forth below, the Court denies defendants' motion to dismiss. Although the Second Circuit has in rare circumstances (in the context of publication titles) held that the question of whether a trademark is generic could be decided at the motion to dismiss stage, this case is not one of those extraordinary circumstances. The determination of whether "FRAGRANCENET" and "FRAGRANCENET.COM" are generic marks will require a fact-specific inquiry that is inappropriate at the motion to dismiss stage. Plaintiff alleges that its trademarks are registered and, thus, there is a presumption that the mark is not generic. There is absolutely nothing in the pleadings to conclude, as a matter of law, that defendants have overcome this presumption. In short, plaintiff has asserted plausible claims under the trademark laws that survive a motion to dismiss. Moreover, the Court declines to convert the motion to dismiss into a motion for summary judgment because defendants have submitted no evidence outside the pleadings for the Court to consider and, in any event, plaintiff is entitled to conduct discovery before making its presentation of evidence in response to any potential summary judgment motion. Accordingly, the motion is denied in its entirety.

I. BACKGROUND

A. Facts

The following facts are taken from the complaint ("Compl."), which the Court assumes to be true for the purposes of deciding this motion. The Court construes the facts in the light most favorable to plaintiff, the non-moving party. *See, e.g.*, *Leibowitz v. Cornell Univ.*, 584 F.3d 487, 492 (2d Cir. 2009).

Plaintiff FragranceNet is a Delaware corporation with its principal place of business in Hauppauge, NY. (Compl. ¶ 7.) Since January 1997, plaintiff has owned and operated an online retail store that sells perfume and related products at www.fragrancenet.com. (Compl. ¶¶ 2, 13.) Plaintiff's trademarks, FRAGRANCENET and FRAGRANCENET.COM, are registered, and plaintiff has used those marks in connection with its sale and marketing of perfume and related products online since January 27, 1997. (Compl. ¶¶ 14, 15.) Plaintiff has sold millions of dollars of merchandise through its website, which accepts orders directly from customers. (Compl. ¶ 16.) Over the past twelve years of operation, plaintiff has established a reputation for high-quality retail sales and customer services under its marks. (Compl. ¶ 17.) There is customer recognition of these marks, and the marks have acquired a substantial level of goodwill. (*Id.*)

The instant action arises out of defendants' bidding on, purchasing, and using certain keywords, including plaintiff's trademarks, in Google's AdWords program, with the knowledge that doing so would result in defendants' links appearing as "Sponsored Links" when a consumer types "fragrancenet," "fragrancenet.com" or other variations of FragranceNet's mark into an Internet keyword search on Google. (Compl. ¶ 3.) The AdWords Program by Google allows advertisers to bid on particular keywords that apply to their websites. (Compl. ¶ 19.) Advertisers may specify whether keywords should be applied as a "broad match," "phrase match," "exact match," or "negative match." When an advertiser bids on a "broad match," its link will appear when a search is conducted for that keyword, its plural forms, its synonyms, or phrases similar to the word. (Compl. ¶ 20.) When an advertiser bids on a "phrase match," its link will appear when a user searches for a particular phrase, even if that phrase is used in combination with other words. (Compl. ¶ 21.) An "exact match" will display the advertiser's link only when the exact phrase bid on is searched on Google. (Compl. ¶ 22.) A "negative match" bid allows an advertiser to ensure that its link does not appear when certain terms are searched. (Compl. ¶ 23.) Sponsored Links appear on the top and right side of the search results screen. (Compl. ¶¶ 18, 25.)

According to plaintiff, defendants bid on certain keywords, including plaintiff's trademarks, to cause their links to appear as "Sponsored Links" on Google when a search for "FRAGRANCENET" or "FRAGRANCENET.COM" is performed. (Compl. ¶¶ 18, 24, Ex. A.) As a result, defendants' links would appear on the top and right side of the search results screen when a search for plaintiff's trademarks was performed. (Compl. ¶¶ 18, 24, Ex. A.)

Plaintiff alleges that it demanded that defendants discontinue all further use of plaintiff's marks and asked that defendants bid on plaintiff's marks as a "negative match" to prevent defendants' links from appearing as results when plaintiff's marks are searched on Google. (Compl. ¶ 25.) According to plaintiff, defendants refused to do either and have continued to use plaintiff's trademarks without permission. Plaintiff further alleges that defendants have generated substantial revenue and benefits from this use. (Compl. ¶¶ 4, 26.) Plaintiff claims that this practice has caused confusion among consumers and that plaintiff has suffered irreparable harm as a result of defendants' use of its trademarks. (Compl. ¶¶ 4, 31.)

B. Procedural History

On June 19, 2009, plaintiff filed the instant complaint against defendants. By letter dated September 3, 2009, defendants indicated their intention to move for dismissal of the complaint for failure to state a cause of action upon which relief can be predicated. On September 30, 2009, defendants filed their motion to dismiss. Plaintiff filed opposition papers on October 30, 2009, and defendants filed their reply on November 6, 2009. Oral argument was heard on December 2, 2009. The Court has fully considered the submissions of the parties.

II. Standard of Review

In reviewing a motion to dismiss pursuant to Federal Rule of Civil Procedure 12(b)(6), the Court must accept the factual allegations set forth in the complaint as true and draw all reasonable inferences in favor of the plaintiff. *See Cleveland v. Caplaw Enters.*, 448 F.3d 518, 521 (2d Cir. 2006); *Nechis v. Oxford Health Plans, Inc.*, 421 F.3d 96, 100 (2d Cir. 2005). The plaintiff must satisfy "a flexible 'plausibility standard.'" *Iqbal v. Hasty*, 490 F.3d 143, 157 (2d Cir. 2007), *rev'd on other grounds sub nom. Ashcroft v. Iqbal*, --- U.S. ----, 129 S. Ct. 1937, 173 L. Ed. 2d 868 (2009). "[O]nce a claim has been stated adequately, it may be supported by showing any set of facts consistent with the allegations in the complaint." *Bell Atl. Corp. v. Twombly*, 550 U.S. 544, 563 (2007). The Court, therefore, does not require "heightened fact pleading of specifics, but only enough facts to state a claim to relief that is plausible on its face." *Id.* at 570.

The Supreme Court recently clarified the appropriate pleading standard in *Ashcroft v. Iqbal*, setting forth a two-pronged approach for courts deciding a motion to dismiss. --- U.S. ----, 129 S. Ct. 1937, 173 L. Ed. 2d 868 (2009). The Court instructed district courts to first "identify[ ] pleadings that, because they are no more than conclusions, are not entitled to the assumption of truth." 129 S. Ct. at 1950. Though "legal conclusions can provide the framework of a complaint, they must be supported by factual allegations." *Id.*

Second, if a complaint contains "well-pleaded factual allegations, a court should assume their veracity and then determine whether they plausibly give rise to an entitlement to relief." *Id.* "A claim has facial plausibility when the plaintiff pleads factual content that allows the court to draw the reasonable inference that the defendant is liable for the misconduct alleged. The plausibility standard is not akin to a 'probability requirement,' but it asks for more than a sheer possibility that a defendant has acted unlawfully." *Id.* at 1949 (quoting and citing *Twombly*, 550 U.S. at 556-57) (internal citations omitted).

III. DISCUSSION

Plaintiff alleges that defendants knowingly and willfully infringed plaintiff's trademarks by bidding on, purchasing, and using keywords, including plaintiff's trademarks, in Google's AdWords program. Plaintiff also alleges that defendants know that their actions will cause defendants' links to appear as search results when consumers search for "FRAGRANCENET" or "FRAGRANCENET.COM." Plaintiff further alleges that this has caused confusion or mistake as to the origin, sponsorship, or approval of defendants' services.[1] Plaintiff has also included as an exhibit to its complaint screenshots that depict defendants' links appearing as Sponsored Links when plaintiff's trademarks are searched on Google. (Compl. Ex. A.)

Defendants argue that plaintiff's trademarks are not protectable, as a matter of law, because plaintiff's marks are generic. Defendants further argue that plaintiff's marks lack distinction, and that even if they had secondary meaning, they would still be generic.[2] Essentially, the core of defendants' argument is that plaintiff cannot sue for the protection of its trademarks because its marks are generic and, therefore, not protectable. Defendants do not argue that plaintiff's pleadings are insufficient on their face; rather, defendants argue that plaintiff does not have a protectable trademark. As discussed below, the Court holds that it is inappropriate to determine whether plaintiff's marks are generic at the motion to dismiss stage in this particular case because, viewing the facts alleged in a light most favorable to plaintiff, plaintiff has adequately stated plausible trademark claims in its complaint.

A generic word cannot be validly

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[1] In *Rescuecom Corp. v. Google Inc.*, 562 F.3d 123 (2d Cir. 2009), the Second Circuit held, clarifying the decision in *1-800 Contacts, Inc. v. WhenU.com, Inc.*, 414 F.3d 400 (2d Cir. 2005), that the alleged use of a competitor's name as a keyword in connection with the advertising program of an internet search engine constituted a "use" under the Lanham Act. *See Rescuecom Corp.*, 562 F.3d at 130 ("We did not imply in *1-800* that an alleged infringer's use of a trademark in an internal software program insulates the alleged infringer from a charge of infringment, no matter how likely the use is to cause confusion in the marketplace. If we were to adopt Google and its amici's argument, the operators of search engines would be free to use trademarks in ways designed to deceive and cause consumer confusion. This is surely neither within the intention nor the letter of the Lanham Act.") (footnote omitted).

[2] Although defendants' brief made a passing reference that seemed to implicitly suggest that, even if plaintiff's marks were descriptive, they could not survive a motion to dismiss (*see* Defs.' Mem. of Law at 8), counsel for defendants confirmed at oral argument that defendants are arguing that the claims should be dismissed on the grounds that the marks are generic.

registered as a trademark. *CES Publ'g Corp. v. St. Regis Publ'ns, Inc.*, 531 F.2d 11, 13 (2d Cir. 1975); *see also 815 Tonawanda Street Corp. v. Fay's Drug Co.*, 842 F.2d 643, 647 (2d Cir. 1988) ("Generic terms are not entitled to any common-law trademark protection, nor may they be registered under the Lanham Act."). The classification of a mark is based on how the purchasing public for the particular good perceives the mark. *Courtenay Commc'ns Corp. v. Hall*, 334 F.3d 210, 215 (2d Cir. 2003). Accordingly, the classification of a trademark as generic, descriptive, suggestive, or arbitrary, which is a requisite determination for a trademark infringement claim, is a factual determination. *Id.*; *accord Textile Deliveries v. Stagno*, No. 90 Civ. 2020, 1990 U.S. Dist. LEXIS 13309, at *14 (S.D.N.Y. Oct. 9, 1990), *aff'd*, 52 F.3d 46 (2d Cir. 1995). To find that a trademark is generic, a court must determine the significance of the mark in the minds of the public: "[A] mark is not generic merely because it has some significance to the public as an indication of the nature or class of an article. In order to become generic the principal significance of the word must be its indication of the nature or class of an article, rather than an indication of its origin." *King-Seeley Thermos Co. v. Aladdin Indus., Inc.*, 321 F.2d 577, 580 (2d Cir. 1963) (quoting *Feathercombs, Inc. v. Solo Products Corp.*, 306 F.2d 251, 256 (2d Cir. 1963)).

When a trademark has been registered, it is presumed not to be generic. *Reese Pub. Co. v. Hampton Int'l Commc'ns, Inc.*, 620 F.2d 7, 11 (2d Cir. 1980) ("If a mark has been registered with the United States Patent and Trademark Office, the defendants in an infringement action do bear the burden of overcoming the presumption that the mark is not generic."). Thus, the party challenging the validity of a registered trademark must present evidence sufficient to overcome the presumption that the trademark is valid. In making this determination regarding a mark's understanding in the consuming public, the Second Circuit has articulated a non-exhaustive list of competent sources that can be considered, "including consumer surveys, testimony of consumers or trade professionals, dictionary definitions, uncontested usage of the mark by competitors to describe their products, generic usage in newspaper and magazine articles, and generic usage by the proponent of the trademark." *Jewish Sephardic Yellow Pages, Ltd. v. DAG Media, Inc.*, 478 F. Supp. 2d 340, 360 (E.D.N.Y. 2007) (citations omitted).

In the instant case, the Court concludes that the question of whether FragranceNet's registered trademarks are generic is a fact-specific inquiry that is inappropriate for determination on a motion to dismiss. In order to analyze that issue in the instant case, the Court would have to determine whether, in the minds of the public, the primary significance of the terms "FRAGRANCENET" and "FRAGRANCENET.COM" is a website that sells various types of perfumes and related products. "Given the statutory presumption of validity accorded to registered marks," the determination of the primary significance of plaintiff's marks in the minds of the public requires additional evidence that is not currently before the Court, which could include "consumer surveys, dictionary definitions, newspapers and other publications, generic use by competitors, testimony of lexicographers, generic use of the term by [the] mark's owner, and use of the term by third parties in trademark registrations." *Frito-Lay, Inc. v. Bachman Co.*, 704 F. Supp. 432, 440 (S.D.N.Y. 1989). Defendant has not submitted any evidence on this issue, and the determination of this specific issue is inappropriate for a motion to dismiss. *See, e.g., Courtenay Commc'ns Corp.*, 334 F.3d at 215 ("It is usually true that the classification of a mark is a factual question, and that the question turns on how the purchasing public views the mark. The pleadings and documents necessarily relied upon by plaintiff's complaint, which were all that the district court could rightfully consider in deciding the motion to dismiss for failure to state a claim, are insufficient for determining the critical fact of how the public views [a] mark."); *Fine Foods Int'l, L.P. v. N. Am. Fine Foods, Inc.*, No. 99-CV-1062, 1999 WL 1288681, at *10 (E.D.N.Y. Nov. 12, 1999) ("[D]efendants' arguments regarding the strength of the mark fail . . . because whether a trademark is generic or descriptive is a question of fact not properly determined by examining the pleadings alone."); *see also North Forest Dev., LLC v. Walden Ave. Realty Assocs., LLC*, No. 06-CV-378A, 2007 WL 2295808, at *4 (W.D.N.Y. Aug. 9, 2007). In short, it is simply too early in the case for the Court to determine whether plaintiff's trademarks are generic. As the Second Circuit has noted, the proper inquiry on a motion to dismiss is "not whether a plaintiff will ultimately prevail but whether the claimant is entitled to offer evidence to support the claims." *See Villager Pond, Inc. v. Town of Darien*, 56 F.3d 375, 378 (2d Cir. 1995) (citation and internal quotation omitted). Here, plaintiff has asserted plausible claims that survive a motion to dismiss based upon the allegations in the complaint.

Furthermore, the Court declines to convert this motion to dismiss into a motion for summary judgment. As a threshold matter, defendant has not submitted any evidence to the rebut the presumption that the registered marks are not generic. Thus, there is nothing for the Court to consider, in terms of evidence from the defendants, if it were to convert the motion to dismiss into a summary judgment motion. In any event, even if defendants had submitted evidence on this issue or wish to submit evidence on this issue, conversion at this juncture is unwarranted. Both parties should be afforded an opportunity to conduct appropriate discovery before making any factual submissions on a motion for summary judgment. *See, e.g., Greenlight Capital, Inc. v. GreenLight (Switzerland) S.A.*, No. 04 Civ. 3136 (HB), 2005 WL 13682, at *9 (S.D.N.Y. Jan. 3, 2005) ("The burden is on [plaintiff] to prove that [its] mark is not generic. As [plaintiff] has not had the opportunity to submit proof showing the mark is descriptive, the Court only needs to determine if they have alleged that 'green light' is a descriptive term. [Plaintiff] meets this criteria, as it has alleged that it holds a valid U.S. trademark for the name "green light." The Court declines to convert this motion to dismiss into a motion for summary judgment and thus will not consider the documents [defendant] has appended to its motion papers purportedly to document the generic nature of the term 'green light.'" (internal citations omitted)). Thus, to the extent that defendants ask the Court to convert the motion to dismiss to summary judgment, the Court declines in its discretion to do so.

Although defendants cite to several cases to support their position that the Court should decide this issue at the motion to dismiss stage, this Court finds those cases inapposite to the circumstances here. First, defendants cite *CES Publishing Corp. v. St. Regis Publications, Inc.*, 531 F.2d 11 (2d Cir. 1975), for the proposition that a court may dismiss a complaint for trademark infringement when the plaintiff's trademark is generic. However, the Court notes that there are several differences between that case and the instant case. First, the opinion in *CES Publishing* discusses the particular issue of whether the title of a periodical is a valid trademark. *Id.* at 13-16. As discussed in more detail below, the Second Circuit has issued several opinions pertaining to this particular trademark issue, involving publication titles. However, even in those publication title cases, the Second Circuit has made clear that "it is usually true that the classification of a mark is a factual question." *Courtenay Commc'ns Corp.*, 334 F.3d at 215 (citation and internal quotations omitted) (reversing district court and holding that whether the composite "iMarketing News" mark was generic presented a factual issue that could not be resolved on a motion to dismiss). Furthermore, in *CES Publishing*, the Second Circuit had an evidentiary record before it because the case involved a motion to dismiss that was filed in conjunction with a motion for a preliminary injunction; in the instant case, this Court lacks an evidentiary record regarding the public's perception of plaintiff's trademarks. Specifically, in *CES Publishing*, in support of its motion to dismiss, the defendant submitted an affidavit attesting that a number of other companies used the same words in their publication titles as the plaintiff used in its trademark. *Id.* at 12-13. The affidavit also alleged that the generic nature of the title was illustrated in advertisements, personnel listings, news articles, and other articles written about the industry. *Id.* at 13. Here, defendants have not submitted factual support for their contention that the marks "FRAGRANCENET" and "FRAGRANCENET.COM" are generic. They have provided no facts about the online perfume sales industry. Instead, defendants rely primarily on citations to cases involving different types of products to support their proposition that plaintiff's mark is not protectable. Accordingly, unlike in *CES Publishing*, there is absolutely no evidentiary record in the instant case from which the Court could find that defendants have rebutted the presumption afforded to registered trademarks and demonstrated, as a matter of law, that the marks are generic.

For similar reasons, defendants' reliance on *Reese Publishing v. Hampton International Communications*, 620 F.2d 7 (2d Cir. 1980) is misplaced. In *Reese*, which also involved the validity of a trademark on a periodical title, "[t]he district court consolidated the trial on the merits with the hearing on appellant's motion for a preliminary injunction . . . ." *Id.* at 12. Accordingly, an evidentiary record was established before the court ruled on whether the plaintiff's trademark was generic. *Id.* at 11 ("In any event, there was sufficient evidence in the record to support the district court's conclusion that Reese's mark was generic.") Furthermore, unlike FragranceNet's marks, the mark used by the plaintiff in *Reese* was not registered. *Id.* ("[W]here, as here, the mark is not registered, this presumption of validity does not come into play. Instead, the burden is on plaintiff to prove that its mark is a valid trademark . . . ." (citations omitted)).

In their reply, defendants also rely on *Energy Intelligence Group, Inc. v. UBS Financial Services, Inc.*, No. 08 Civ. 1497 (DAB), 2009 U.S. Dist. LEXIS 48495 (S.D.N.Y. May 22, 2009). However, that non-binding case is similarly distinguishable from the instant case. In *Energy Intelligence Group*, the district court granted a motion to dismiss based on its finding that the plaintiff's trademark for a publication – namely, "THE OIL DAILY" – although registered, was generic. *Id.* at *14-15. However, like *CES Publishing Corp.* and *Reese Publishing*, that case involved a determination of whether a periodical title was generic or not. *Id.* at *11-15. The court in *Energy Intelligence Group* explicitly based its holding on the narrow line of Second Circuit cases that have held that a periodical title that simply refers to the name of the industry and how often the periodical is distributed is generic as a matter of law. *Id.* at *11-15 (discussing *Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4 (2d Cir. 1976); *Reese Publ'g Co. v. Hampton Int'l Commc'ns, Inc.*, 620 F.2d 7 (2d Cir. 1980); *CES Publ'g Corp. v. St. Regis Publ'ns, Inc.*, 531 F.2d 11 (2d Cir. 1975)). As a threshold matter, this Court is dealing not with a periodical, but with a service. More importantly, even extending the rationale of *CES Publishing* and *Energy Intelligence Group* in connection with periodicals to products, the registered marks at issue here consist of two terms "fragrance" and "net" that are independent of the ".com" that would be used for the internet site. The Court declines to conclude that it is implausible, as a matter of law, that these terms used in combination could, at a minimum, be "descriptive" under the trademark laws. *See, e.g.*, *McSpadden v. Caron*, No. 03-CV-6285 CJS, 2004 WL 2108394, at *13 (W.D.N.Y. Sept. 20, 2004) (holding that "usamedicine.com" in connection with "a website selling prescription drugs, or medicine, primarily to persons in the United States of America, also known as the U.S.A." to be descriptive). Thus, under these circumstances, the Court does not consider the registered marks at issue here to be analogous to "THE OIL DAILY," such that it can be determined to be generic as a matter of law at the motion to dismiss stage.

This Court's conclusion is consistent with the decisions of numerous other courts in analogous circumstances that have held that the determination of whether a product's mark is generic could not be decided at the motion to dismiss stage. *See, e.g.*, *Courtenay Commc'ns Corp.*, 334 F.3d at 215; *Conn. Cmty. Bank v. Bank of Greenwich*, No. 06-cv-1293 (JBA), 2007 WL 1306547, at *2 (D. Conn. May 3, 2007); *North Forest Dev., LLC*, 2007 WL 2295808, at *4; *Greenlight Capital, Inc.*, 2005 WL 13682, at *9; *Novak v. Overture Servs., Inc.*, 309 F. Supp. 2d 446, 458 (E.D.N.Y. 2004); *Fine Foods Int'l, L.P.*, 1999 WL 1288681, at *10. In fact, at oral argument, both sides stated that, based upon their research (which is consistent with the Court's independent research), they were aware of no case ever in this Circuit where a court has, at the motion to dismiss stage, lacking an evidentiary record, dismissed a trademark claim on the grounds that a registered product or service name (as opposed to a publication title) was generic as a matter of law. None of the cases cited by defendants in their brief involved dismissal of the trademark claims for a product on grounds that its mark was generic at the motion to dismiss stage.[3] The reason for this lack of case authority to support the defendants' position is clear – the determination of whether a product's mark is generic involves

[3] For example, defendants rely heavily on *Interstate Net Bank v. NetB@nk, Inc.*, 221 F. Supp. 2d 513 (D.N.J. 2002), which held that the trademark "NETBANK" was generic, to support their contention that plaintiff's combination of the terms "fragrance" and "net" is similarly generic. However, that case, which is not controlling on this Court, involved a motion for summary judgment that occurred after discovery and that was decided based on extensive evidence before the court at that time. *Id.* at 516, 521-22, 524. Moreover, as discussed *infra*, the Court must examine plaintiff's mark in its entirety, rather than breaking it down into its component parts. *Toys 'R' Us, Inc. v. Canarsie Kiddie Shop, Inc.*, 559 F. Supp. 1189, 1196 (S.D.N.Y. 1983).

a determination of "how the purchasing public *for the particular good* perceives the mark." *Hearts on Fire Co., LLC. v. L C Int'l Corp.*, No. 04 Civ. 2536 (LTS)(MHD), 2004 WL 1724932, at *3 (S.D.N.Y. July 30, 2004) (citing *Courtenay Commc'ns Corp.*, 334 F.3d at 215) (emphasis added); *see also King-Seeley Thermos Co.*, 321 F.2d at 580 (holding that to determine whether trademark is generic, a court must determine the "principal significance of the word . . . [in] *its indication of the nature or class of an article*, rather than an indication of its origin." (emphasis added)). Thus, except perhaps in some extraordinary circumstances not present here, that type of determination cannot be made on a motion to dismiss without an evidentiary record. *See, e.g.*, *Courtenay Commc'ns Corp.*, 334 F.3d at 214 ("CCC's complaint alleged, *inter alia*, that CCC established 'iMarketing News' as a trademark for its product; that defendants' use of CCC's mark injures the reputation that Plaintiff and iMarketing News have established; and that 'iMarketing News' was associated with Plaintiff's publication. Although imprecise, these allegations, viewed in a light most favorable to plaintiff, are sufficient to allege that the mark is distinctive, either inherently (*e.g.*, if it was found to be suggestive in the minds of the public) or otherwise (*i.e.*, if it was found to be descriptive and to have acquired secondary meaning), rather than generic (*i.e.*, if it were found to refer to a genus of products rather than a particular producer's product), and therefore protectable under trademark law.") (internal quotations and citations omitted).

Defendants also attempt to prove that the marks "FRAGRANCENET" and "FRAGRANCENET.COM" are generic by breaking each mark down into its component parts and alleging that each of those parts individually are generic: "fragrance," "net," and ".com." However, a "mark must be evaluated by examining the mark in its entirety, rather than breaking down its component parts." *Toys 'R' Us, Inc. v. Canarsie Kiddie Shop, Inc.*, 559 F.Supp. 1189, 1196 (S.D.N.Y. 1983) (citations omitted). Thus, as noted above, the component parts of the registered marks at issue in this case must be analyzed in their entirety and, given the marks at issue, such a determination cannot be made at the motion to dismiss stage.

Finally, defendants argue that the plaintiff's marks lack distinction and that the genericness of plaintiff's marks cannot be cured with claims of secondary meaning. Although defendants correctly note that the extistence of secondary meaning cannot transform a generic term into a protectable trademark, *Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4, 9 (2d Cir. 1976), these arguments presume that plaintiff's marks are otherwise generic. Accordingly, since the Court has already concluded that such a determination cannot be made at this stage in this case, the Court declines to address these other arguments at this time. *See Courtenay Commc'ns Corp.*, 334 F.3d at 217; *see also Andy Warhol Enters., Inc. v. Time, Inc.*, 700 F. Supp 760, 768 (S.D.N.Y. 1988) (citation omitted) ("[D]istinctive trademarks are those which are unique and which are not generic or descriptive.").

In sum, plaintiff's complaint alleges that plaintiff owns registered trademarks in "FRAGRANCENET" and 'FRAGRANCENET.COM." (Compl. ¶ 14.) Plaintiff also alleges that it has used those marks in connection with its online sale of perfume and related products since January

1997, and has received substantial recognition and goodwill among consumers. (Compl. ¶¶ 13-16.) Plaintiff claims that defendants have used those marks in connection with Google's AdWords program without plaintiff's permission, and that defendants' use has damaged plaintiff's business and caused confusion and mistakes among consumers. (Compl. ¶¶ 18, 24-26, 31.) The Court concludes that plaintiff's complaint has set forth "enough facts to state a claim to relief that is plausible on its face." *Bell Atl. Corp.*, 550 U.S. at 570. Accordingly, defendants' motion to dismiss is denied.

IV. Conclusion

For the foregoing reasons, defendants' motion to dismiss is denied. Defendants are directed to file an answer within twenty days of this Memorandum and Order, and the parties are directed to proceed with discovery in accordance with the direction of Magistrate Judge Boyle.

SO ORDERED.

____

JOSEPH F. BIANCO
United States District Judge

Dated: December 8, 2009
Central Islip, New York

* * *

The attorney for plaintiff is Robert L. Sherman of Paul, Hastings, Janofsky, & Walker, LLP, 75 East 55th Street, New York, NY 10022. The attorney for defendants is Noah Shube, 434 Broadway, Sixth Floor, New York, NY 10013.

EXHIBIT 3

LBF TRAVEL, INC., Plaintiff, v. FAREPORTAL, INC. et al., Defendants.

13 Civ. 9143 (LAK) (GWG)

UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK

2014 U.S. Dist. LEXIS 156583

November 5, 2014, Decided
November 5, 2014, Filed

CASE SUMMARY:

OVERVIEW: HOLDINGS: [1]-An online discount travel services business sufficiently pleaded a trademark infringement claim under § 32 of the Lanham Act, *15 U.S.C.S. § 1114*, against competitors requirement because the business alleged the competitors purchased the business's trademarks as keywords from a search engine, which led to the competitors' advertisements being displayed on the search results pages for the business' keywords in such a way as to confuse online customers, and the competitors' purchase of the business's trademarks as search engine keywords was a "use in commerce" under the Lanham Act; [2]-The business failed to sufficiently plead claims under *N.Y. Gen. Bus. Law §§ 349* or *350* because the business's allegations regarding the competitors' conduct did not indicate any risk to the public's health or safety or any harm to the public interest as required under *§§ 349* or *350*.

OUTCOME: Magistrate recommended granting motion in part and denying motion in part.

LexisNexis(R) Headnotes

Civil Procedure > Pleading & Practice > Defenses, Demurrers & Objections > Failures to State Claims
[HN1] A party may move to dismiss pursuant to *Fed. R. Civ. P. 12(b)(6)* where the opposing party's pleading fails to state a claim upon which relief can be granted. While a court must accept as true all of the allegations contained in a complaint, that principle does not apply to legal conclusions. In other words, threadbare recitals of the elements of a cause of action, supported by mere conclusory statements, do not suffice, and thus, a court's first task is to disregard any conclusory statements in a complaint.

Civil Procedure > Pleading & Practice > Defenses, Demurrers & Objections > Failures to State Claims
Civil Procedure > Pleading & Practice > Pleadings > Complaints > Requirements
[HN2] A court must determine if a complaint contains "sufficient factual matter" which, if accepted as true, states a claim that is plausible on its face. A claim has facial plausibility when the plaintiff pleads factual content that allows the court to draw the reasonable inference that the defendant is liable for the misconduct alleged. The plausibility standard is not akin to a probability requirement, but it asks for more than a sheer possibility that a defendant has acted unlawfully. Where the well-pleaded facts do not permit the court to infer more than the mere possibility of misconduct, a complaint is insufficient under *Fed. R. Civ. P. 8(a)* because it has merely "alleged" but not "shown" that the

pleader is entitled to relief.

Civil Procedure > Pleading & Practice > Defenses, Demurrers & Objections > Failures to State Claims
[HN3] A motion to dismiss must be decided based on the allegations of the complaint or on documents that are attached to the complaint, incorporated in it by reference, or that are otherwise integral to the allegations.

Trademark Law > Trademark Counterfeiting Act > Civil Actions > General Overview
Trademark Law > Federal Unfair Competition Law > False Advertising > General Overview
Trademark Law > Federal Unfair Competition Law > Lanham Act > Scope
Trademark Law > Likelihood of Confusion > General Overview
[HN4] Section 32(1)(a) of the Lanham Act, *15 U.S.C.S. § 1114(1)(a)*, prohibits any person from using in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive. Section 43(a) of the Lanham Act, *15 U.S.C.S. § 1125(a)*, prohibits a person from using any word, term, name, symbol, or device, or any combination thereof which is likely to cause confusion as to the origin, sponsorship, or approval of his or her goods.

Trademark Law > Subject Matter > Distinctiveness > Determinations
Trademark Law > Likelihood of Confusion > Consumer Confusion > Circuit Court Factors > 2nd Circuit Court
[HN5] In the Second Circuit, courts employ the following two-step framework in analyzing trademark infringement claims: First, a court looks to see whether plaintiff's mark merits protection. In order for a trademark to be protectable, the mark must be "distinctive" and not "generic." A mark is said to be "inherently" distinctive if its intrinsic nature serves to identify a particular source. Second, if (and only if) the plaintiff's trademark is "distinctive" within the meaning of trademark law and is therefore valid and protectable, the court must then determine whether the defendant's use of a similar mark is likely to cause consumer confusion.

Trademark Law > Infringement Actions > General Overview
[HN6] The United States District Court for the Southern District of New York does not see a meaningful difference between a search engine's act of selling to an advertiser a service derived from the use of a trademark and the advertiser's action in purchasing that benefit. Both have "used" the trademark in the same way: by engaging in a commercial transaction -- the search engine as the seller and the advertiser as the purchaser -- to produce a display of search result advertisements that derives from the use of a trademark.

Trademark Law > Infringement Actions > General Overview
[HN7] The purchase of a trademark as a search engine keyword is a "use in commerce" under the Lanham Act, *15 U.S.C.S. § 1051 et seq.*

Trademark Law > Subject Matter
Trademark Law > Likelihood of Confusion > Consumer Confusion > General Overview
Trademark Law > Federal Unfair Competition Law > False Designation of Origin > General Overview
Trademark Law > Infringement Actions > General Overview
[HN8] The elements necessary to prevail on causes of action for trademark infringement and unfair competition under New York common law mirror the Lanham Act, *15 U.S.C.S. § 1051 et seq.*, claims. That is, to prevail on a statutory or common law claim of trademark infringement, a party must establish that the symbols for which it seeks trademark protection are valid, legally protectable marks and that another's subsequent use of a similar mark is likely to create confusion as to the origin of the product.

Trademark Law > Likelihood of Confusion > Consumer Confusion > General Overview
Trademark Law > Likelihood of Confusion
[HN9] Likelihood of confusion requires that an appreciable number of ordinarily prudent purchasers are likely to be misled, or indeed simply confused, as to the source of the goods in question, or are likely to believe that the mark's owner sponsored, endorsed, or otherwise approved of the defendant's use of the mark.

Trademark Law > Likelihood of Confusion > Consumer Confusion > Circuit Court Factors > 2nd Circuit Court
[HN10] To determine whether there is a likelihood of confusion between two or more marks, courts in the Second Circuit apply the following eight factors: (i) the strength of the plaintiff's trademark; (ii) the degree of similarity between the parties' marks; (iii) the proximity of the products; (iv) the likelihood that the plaintiff will "bridge the gap" between the products; (v) the existence of actual confusion; (vi) the defendant's good faith; (vii) the quality of the defendant's product; and (viii) the sophistication of the consumers. Likelihood of confusion is an issue on which the plaintiff bears the burden of proof. However, there is no requirement that a plaintiff address the factors in its pleading; such a requirement would be inconsistent with the "notice pleading" philosophy of the Federal Rules of Civil Procedure.

Trademark Law > Likelihood of Confusion > General Overview
Civil Procedure > Pleading & Practice > Defenses, Demurrers & Objections > Failures to State Claims
[HN11] Likelihood of confusion is a fact-intensive analysis that ordinarily does not lend itself to a motion to dismiss. A motion to dismiss will be granted for failure to plead likelihood of confusion only if no reasonable factfinder could find a likelihood of confusion on any set of facts that plaintiff could prove.

Antitrust & Trade Law > Trade Practices & Unfair Competition > State Regulation > Coverage
Antitrust & Trade Law > Consumer Protection > False Advertising > State Regulation
Antitrust & Trade Law > Consumer Protection > Deceptive Acts & Practices > State Regulation
[HN12] *N.Y. Gen. Bus. Law § 349* contains a general prohibition on deceptive acts or practices in the conduct of any business, trade, or commerce or in the furnishing of any service. Similarly, *N.Y. Gen. Bus. Law § 350* prohibits false advertising in the conduct of any business, trade or commerce or in the furnishing of any service. Both of these sections contain provisions creating private rights of action to recover damages suffered as a result of such conduct. *§ 349(h), N.Y. Gen. Bus. Law* § 350-e(3).

Antitrust & Trade Law > Consumer Protection > False Advertising > State Regulation
Antitrust & Trade Law > Consumer Protection > Deceptive Acts & Practices > State Regulation
Antitrust & Trade Law > Trade Practices & Unfair Competition > State Regulation > Claims
Civil Procedure > Justiciability > Standing > General Overview
[HN13] To successfully assert a claim under *N.Y. Gen. Bus. Law §§ 349(h)* or *350*, a plaintiff must allege that a defendant has engaged in: (1) consumer-oriented conduct that is; (2) materially misleading; and that (3) plaintiff suffered injury as a result of the allegedly deceptive act or practice. Although the statute is, at its core, a consumer protection device, corporate competitors now have standing to bring a claim under the statutes so long as some harm to the public at large is at issue.

Antitrust & Trade Law > Trade Practices & Unfair Competition > State Regulation > Claims
Antitrust & Trade Law > Consumer Protection > False Advertising > State Regulation
Antitrust & Trade Law > Consumer Protection > Deceptive Acts & Practices > State Regulation
[HN14] For a competitor to assert a claim under *N.Y. Gen. Bus. Law §§ 349* or *350*, the gravamen of the complaint must be consumer injury or harm to the public interest. In other words, a plaintiff must show that the acts or practices of the defendants have a broader impact on consumers at large in that they are directed to consumers or that they potentially affect similarly situated consumers, and that consumers be harmed by the defendants' alleged conduct.

Antitrust & Trade Law > Consumer Protection > False Advertising > State Regulation
Antitrust & Trade Law > Trade Practices & Unfair Competition > State Regulation > Claims
Antitrust & Trade Law > Consumer Protection > Deceptive Acts & Practices > State Regulation
Trademark Law > Infringement Actions > General Overview
[HN15] Courts in New York have routinely dismissed trademark claims brought under *N.Y. Gen. Bus. Law §§ 349* and *350* as being outside the scope of the statutes, because ordinary trademark disputes do not pose a significant risk of harm to the public health or interest and are therefore not the type of deceptive conduct that the statutes were designed to address. In other words, *§§ 349* and *350* claims cannot be brought in trademark infringement actions alleging only general consumer confusion because such allegations do not suffice to

establish direct harm to consumers. Thus, for a claim to be cognizable under these provisions, there must be some specific and substantial injury to the public interest over and above the ordinary trademark infringement.

Antitrust & Trade Law > Consumer Protection > Deceptive Acts & Practices > State Regulation
Antitrust & Trade Law > Consumer Protection > False Advertising > State Regulation
Antitrust & Trade Law > Trade Practices & Unfair Competition > State Regulation > Claims
[HN16] The limited public harm that consumers paid more for an allegedly inferior product is incidental in nature and insufficient to support a claim under *N.Y. Gen. Bus. Law § 349*. The same reasoning applies to a claim under *N.Y. Gen. Bus. Law § 350*.

Trademark Law > Federal Unfair Competition Law > Trade Dress Protection > Infringement Actions > General Overview
[HN17] To establish a claim of trade dress infringement under the Lanham Act, *15 U.S.C.S. § 1051 et seq.*, plaintiff must first demonstrate that its trade dress is either inherently distinctive or that it has acquired distinctiveness through a secondary meaning and must then demonstrate that there is a likelihood of confusion between defendant's trade dress and plaintiff's. The defendant may avoid liability, however, by proving that the trade dress is not worthy of protection under the trademark law because it is functional.

Civil Procedure > Pleading & Practice > Pleadings > Counterclaims > Compulsory Counterclaims
[HN18] Under *Fed. R. Civ. P. 13(a)*, a pleading must state as a counterclaim any claim that -- at the time of its service -- the pleader has against an opposing party if the claim: (A) arises out of the transaction or occurrence that is the subject matter of the opposing party's claim; and (B) does not require adding another party over whom the court cannot acquire jurisdiction. The effect of *Rule 13(a)* is that a counterclaim which is compulsory but is not brought is thereafter barred.

Civil Procedure > Pleading & Practice > Pleadings > Counterclaims > Permissive Counterclaims
Civil Procedure > Pleading & Practice > Pleadings > Counterclaims > Compulsory Counterclaims
[HN19] Whether a counterclaim is compulsory or permissive turns on whether the counterclaim arises out of the transaction or occurrence that is the subject matter of the opposing party's claim, and the Second Circuit has long considered this standard met when there is a logical relationship between the counterclaim and the main claim. Under this standard, there need not be an absolute identity of factual backgrounds; rather, the logical relationship test only requires that the essential facts of the claims are so logically connected that considerations of judicial economy and fairness dictate that all the issues be resolved in one lawsuit.

Civil Procedure > Pleading & Practice > Motion Practice > Opposing Memoranda
[HN20] If a plaintiff does not respond to a defendant's arguments in support of its motion to dismiss, a court may deem the claim abandoned.

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For Fareportal, Inc., WK Travel, Inc., Defendants: Beatrice Aisha Hamza Bassey, Hughes Hubbard & Reed, New York, NY; Nathaniel Lev Fintz, Peter A. Sullivan, Hughes Hubbard & Reed LLP (NY), New York, NY.

JUDGES: GABRIEL W. GORENSTEIN, United States Magistrate Judge.

OPINION BY: GABRIEL W. GORENSTEIN

OPINION

REPORT AND RECOMMENDATION

GABRIEL W. GORENSTEIN, UNITED STATES MAGISTRATE JUDGE

Plaintiff LBF Travel, Inc. ("LBF") has brought this action alleging that Fareportal, Inc. and WK Travel, Inc. (collectively "defendants") infringed upon its trademarks and trade dress and engaged in other deceptive business practices. Defendants now move to dismiss the first amended complaint pursuant to *Rules 12(b)(1), 12(b)(6)*, and *13(a) of the Federal Rules of Civil Procedure*. For the following reasons, this motion should be granted in part and denied in part.

I. BACKGROUND

A. Facts Alleged in the Complaint

For purposes of deciding defendants' motion to dismiss, the Court assumes the allegations in LBF's amended complaint are true and draws all reasonable inferences in LBF's favor. See, e.g., [*2] *Steginsky v. Xcelera Inc., 741 F.3d 365, 368 (2d Cir. 2014)*.

1. LBF's Business Practices and Trademarks

LBF is an online discount travel services business that owns and operates travel brands "Smartfares" and "Travelation," which offer discount travel products to online customers through the websites "www.smartfares.com" and "www.travelation.com." See First Amended Complaint, filed Mar. 7, 2014 (Docket # 13) ("Compl."), ¶¶ 2, 17. LBF has owned and operated www.smartfares.com since at least 2010, and on November 21, 2013, LBF filed an application to register "Smartfares" with the United States Patent and Trademark Office. Id. ¶ 18. The Smartfares trademark application is currently pending. Id. LBF has owned and operated www.travelation.com since at least 2010 and has owned a federally registered trademark for "Travelation" since 2008. Id. ¶ 19. For several years, LBF has continuously used the Smartfares and Travelation brands to provide customers with air travel bookings, hotel reservations, and booking services for car rentals, packages, and insurance. Id. ¶ 20.

The Smartfares and Travelation brands "have come to be associated in the minds of consumers throughout the country with [LBF's] services, and the use of [these] Marks . . . substantially [*3] increases the marketability of travel, reservation, and booking services rendered by [LBF] through its www.smartfares.com and www.travelation.com websites." Id. ¶ 23. Also, "[t]hrough great expense and care, [LBF] has become well known and famous in its market and has acquired a reputation for excellence and outstanding service to customers . . . [and thus] [LBF's] reputation, and the goodwill associated with LBF's Marks are very valuable business assets, which [LBF] vigorously protects." Id. ¶ 18. Because of this fame,"potential customers will search specifically for LBF's Marks through a variety of Internet search engines, including Google." Id. ¶ 23.

2. Defendants' Business Practices and Trademarks

Defendants Fareportal and WK Travel are competitors with LBF that operate travel websites offering discounted airfare, accommodations, car rentals, and vacation packages to online customers. See id. ¶¶ 3, 25, 37-39. Fareportal and WK Travel are affiliated with each other and have common ownership. Id. ¶ 3. Defendants' websites include www.cheapoair.com, www.onetravel.com, www.cheapostay.com, www.insanelycheapflights.com, and www.farebuzz.com. Id. ¶¶ 3, 25, 37-39. Defendants own the following federally [*4] registered trademarks: "CHEAPOAIR," "CheapOstay," "CHEAPOAIR.COM THE ONLY WAY TO GO!!," "CHEAPOAIR.COM THE ONLY WAY TO GO!! (stylized mark)." Id. ¶¶ 26, 43-45. Additionally, defendants have pending applications for the following trademarks: "CHEAPOAIR.COM," "www.cheapOair.com," and "ONETRAVEL." Id. ¶ 40. American Travel Solutions, LLC, a non-party that holds trademarks similar to the ones defendants seek to have registered, has initiated opposition proceedings against defendants' applications for the "CHEAPOAIR.COM" and "www.cheapOair.com" trademarks. See id. ¶¶ 46-51.

3. Defendants' Improper Use of Search Engine Marketing Programs

LBF alleges that defendants have "improperly infringed upon and diluted [LBF's] trademarks by purchasing [LBF's] trademarks as keywords from Google and other search engines (activity known as 'search engine marketing' or 'SEM'), so that when an internet user searches for 'Travelation' or 'smartfares' on Google or another search engine, an advertisement hyperlink for one of the websites of [defendants] . . . will appear on the first page of the search results." Id. ¶ 6.

Google operates a program called "AdWords" which allows advertisers to bid on advertising [*5] hyperlinks, also known as "sponsored links," that appear on an Internet user's search results page when the user has inputted certain keywords into Google's search engine. See id. ¶ 65. The sponsored link contains both an advertisement for the advertiser's business and a direct link that takes the Internet user directly to the advertiser's website when the user clicks on it. Id. According to LBF, "[the] 'sponsored links' do not always clearly identify themselves as advertisements, and Google's layout of the ads does not conspicuously identify them as such." Id. ¶ 66. In particular, "[the] ads at the top of the search results are designed by Google to look like part of the 'non-sponsored' search results, and by virtue of the fact that they appear at the top of the list of Search Results, Internet users may infer that they are the most relevant websites on the Search Results page." Id. Other search engines, such as Yahoo! and Bing, offer similar SEM programs that typically "award the first sponsored result to the [advertiser] that has placed the highest bid on the keyword, i.e. the [advertiser] that has agreed to pay to the search engine operator the highest amount each time an independent [*6] internet user takes a particular action (such as searching a term or clicking on a link in the advertisement)." Id. ¶ 67.

LBF has bid on its own trademarks with Google AdWords and other SEM services so that whenever an Internet user searches the keywords "Smartfares" or "Travelation," LBF's sponsored links appear above or to the right of the search results, thus allowing the user to go directly to LBF's websites by clicking on the sponsored links. See id. ¶ 68. However, defendants have also bid on the Smartfares and Travelation keywords with Google AdWords so that defendants' sponsored links also appear on the results page when a user searches for these terms. Id. ¶ 69. According to LBF, defendants have "purchase[d] advertising using LBF's Marks as Keywords for the specific purpose of intercepting consumers and customers of [LBF] and those who are specifically looking for TRAVELATION and SMARTFARES and diverting them to" defendants' competing websites. Id. ¶ 70. In support of this assertion, LBF has included in its amended complaint screen images of Google searches demonstrating that defendants' "www.cheapoair.com" website has been listed as a sponsored link for the "smartfares" and "travelation.com" [*7] keywords. See id. ¶¶ 77-78.

LBF alleges that "Defendants' use of the LBF's Marks via search engine advertising programs causes confusion in the marketplace that Defendants' goods and services are affiliated with or otherwise approved or 'sponsored' by [LBF]; causes LBF's Marks to be diluted by losing their distinctive quality of being associated solely with [LBF]; allows Defendants to financially benefit from and to trade off of the goodwill and reputation of [LBF] without incurring an expense similar to that incurred by [LBF] in building up its brand name; and causes [LBF] to lose, in part, control over the commercial use of its own name and LBF's Marks by placing such control in the hands of Defendants." Id. ¶ 72.

With regard to the potential confusion caused by defendants' practices, LBF contends, "[w]hen an Internet user searching on a search engine for LBF's Marks is presented with a search results page which contains multiple sponsored links, one of which may be for [LBF's] websites, and others for Defendants' competing websites . . . [the user] may click on one of the sponsored links for Defendants' websites, believing that it is related to, or sponsored by [LBF]." Id. ¶ 73. Furthermore, [*8] "[e]ven if the Internet user realizes that the website they have been taken to is not [LBF's] website, a percentage of such Internet users may either stay at the Defendant's [sic] websites, or may otherwise discontinue their search for LBF's Marks." Id. Additionally, "[a]n Internet user may associate the quality of goods and services offered on Defendant's [sic] website with those offered by [LBF], and if dissatisfied with such goods or services, may discontinue their search for such services entirely." Id.

4. Defendants' Allegedly Infringing Websites

LBF additionally alleges that defendants have "intentionally heightened the likelihood of confusion among consumers as to the affiliation, sponsorship, or source of the services provided by imitating the graphic user interface of [LBF's] websites, in order to mimic the 'look and feel' of [LBF's] websites." Id. ¶ 83. LBF asserts that it "has established distinctive, nonfunctional design elements for its websites, which consumers have come to associate with [LBF's] services." Id. ¶ 84. LBF explains that "[t]he layout of [its] websites appears not as a static presentation, but rather as a series of overlapping layers aimed at accomplishing specific tasks [*9] . . . [and] [t]he graphic design of the pages of [LBF's] websites, the 'look', is tied to the 'interface design,' comprised of dynamic navigation elements, such as hyperlinks, boxes, buttons, menus." Id.

Specifically, LBF contends that its Smartfares.com website has a distinctive "look and feel," including the following design elements: "the search engine in the upper left hand corner; with tabs for flights, cars, hotels, vacations, and cruises immediately above the search engine; promotional deals just to the right of the search engine; three columns listing cheap flights below the search engine; 'Promo Codes' juxtaposed beside the cheap flights columns; and customer service number in large, orange letter at the top of the homepage." Id. ¶ 90. Additionally, the browser page for Smartfares.com displays as a title "Cheap Flights, Cheap Airline Tickets, Cheap Flights Airfare, Flights Airfare Deals -- Smartfares." Id. LBF alleges that defendants' website OneTravel.com has "blatantly imitated" many of these elements in that it "also features the search engine in the upper left hand corner; with tabs for flights, cars, hotels, and vacations immediately above the search engine; promotional deals [*10] just to the right of the search engine; three columns listing cheap flights below the search engine; 'Promo Codes' juxtaposed beside the cheap flights columns; [ ]customer service number in large, orange letter at the top of the homepage [;] . . . [and] the browser page displays a title 'Cheap Tickets, Cheap Flights & Discount Airfare -- OneTravel." Id. ¶ 91. LBF has attached as exhibits to its complaint screenshot images of the home pages of Smartfares.com and OneTravel.com on December 10, 2013, to demonstrate the design similarities of these websites. See id. ¶¶ 90-91; Smartfares.com Homepage Image (annexed as Ex. K to Compl.); OneTravel.com Homepage Image (annexed as Ex. L to Compl.). Similarly, LBF asserts that the search screen for its Travelation.com website, which "features a bar with moving stripes, the TRAVELATION mark in the upper part of the screen, and a message indicating that the website is searching for the best fares for the user's selected criteria," Compl. ¶ 92; Travelation.com Search Screen (annexed as Ex. M to Compl.), has been copied in the search screen of defendants' OneTravel.com website, see Compl. ¶ 93; OneTravel.com Search Screen (annexed as Ex. N to Compl.). [*11]

LBF alleges that it has "received several complaints from Internet users, who have been confused and mislead [sic] by Defendants' advertising practices and design of Defendants' websites into believing that they were visiting [LBF's] websites," Compl. ¶ 94, and that it has "suffered real damage to its business standing and reputation . . . by being associated with Defendants' businesses . . . in light of the extremely negative reviews that Defendants' websites [have] received," id. ¶ 95. LBF further contends that defendants' brands have a negative reputation because defendants regularly "advertise misleading savings and discounts that do not offer actual savings to consumers" and engage in other deceptive practices. Id. ¶ 109; see also id. ¶¶ 103-08. In support of these assertions, LBF has provided screenshots of negative reviews of defendants' website cheapoair.com, see id. ¶ 95, as well as an online Better Business Bureau report discussing "a range of complaints with the BBB against CheapOAir.com," id. ¶ 97.

B. Procedural History

On December 27, 2013, LBF filed the instant suit against Fareportal and WK Travel. See Complaint, filed Dec. 27, 2013 (Docket # 1). After defendants moved [*12] to dismiss, LBF filed the amended complaint in which it asserts the following claims against defendants:

> (a) trademark infringement, unfair competition, and false designation of origin under *15 U.S.C. §§ 1051 et seq.* (the Lanham Act); (b) trademark infringement and unfair competition in violation of New York State common law; (c) trademark dilution and injury to business reputation under *New York. General Business Law ("NY GBL") § 360-l*; (d) trade name infringement under *NY GBL § 133*; (e) unfair and deceptive trade practices under *NY GBL § 349*; (f) false advertising under *NY GBL., § 350*; (g) unfair business practice under New York State common law; (h) unjust enrichment under New York State common law; and (i) for cancellation of Defendants' U.S. Trademark Registrations.

Compl. ¶ 1; see also id. ¶¶ 110-94. On April 25, 2014, defendants filed a second motion to dismiss.[1]

1 See Notice of Defendants' Motion to Dismiss Plaintiff's First Amended Complaint, filed Apr. 25, 2014 (Docket # 15); Memorandum of Law in Support of Defendants' Motion to Dismiss Plaintiff's First Amended Complaint, filed Apr. 25, 2014 (Docket # 16) ("Def. Mem."); Memorandum of Law in Opposition to Defendants' Motion to Dismiss Plaintiff's First Amended Complaint, filed May 12, 2014 [*13] (Docket # 17) ("Pl. Mem."); Reply Memorandum of Law in Further Support of Defendants' Motion to Dismiss Plaintiff's First Amended Complaint, filed May 22, 2014 (Docket # 18) ("Def. Reply"). Defendants' memorandum supporting the instant motion has incorporated by reference some arguments defendants raised in their first motion to dismiss, and thus, we cite occasionally to the memorandum in support of that motion as well. See Memorandum of Law in Support of Defendants' Motion to Dismiss Plaintiff's

Complaint, filed Feb. 21, 2014 (Docket # 11) ("Orig. Def. Mem.").

II. LAW GOVERNING MOTIONS TO DISMISS

[HN1] A party may move to dismiss pursuant to *Fed. R. Civ. P. 12(b)(6)* where the opposing party's pleading "fail[s] to state a claim upon which relief can be granted." While a court must accept as true all of the allegations contained in a complaint, that principle does not apply to legal conclusions. See *Ashcroft v. Iqbal, 556 U.S. 662, 678, 129 S. Ct. 1937, 173 L. Ed. 2d 868 (2009)*; *Bell Atl. Corp. v. Twombly, 550 U.S. 544, 555, 127 S. Ct. 1955, 167 L. Ed. 2d 929 (2007)* ("[A] plaintiff's obligation to provide the grounds of his entitlement to relief requires more than labels and conclusions, and a formulaic recitation of the elements of a cause of action will not do.") (citation, internal quotation marks, and brackets omitted). In other words, "[t]hreadbare recitals of the elements of a cause of action, [*14] supported by mere conclusory statements, do not suffice," *Iqbal, 556 U.S. at 678*, and thus, a court's first task is to disregard any conclusory statements in a complaint, *id. at 679*.

Next, [HN2] a court must determine if a complaint contains "sufficient factual matter" which, if accepted as true, states a claim that is "plausible on its face." *Id. at 678* (citation and internal quotation marks omitted); accord *Port Dock & Stone Corp. v. Oldcastle Ne., Inc., 507 F.3d 117, 121 (2d Cir. 2007)* ("[A] complaint must allege facts that are not merely consistent with the conclusion that the defendant violated the law, but which actively and plausibly suggest that conclusion."). "A claim has facial plausibility when the plaintiff pleads factual content that allows the court to draw the reasonable inference that the defendant is liable for the misconduct alleged. The plausibility standard is not akin to a probability requirement, but it asks for more than a sheer possibility that a defendant has acted unlawfully." *Iqbal, 556 U.S. at 678* (citations and internal quotation marks omitted). "[W]here the well-pleaded facts do not permit the court to infer more than the mere possibility of misconduct," a complaint is insufficient under *Fed. R. Civ. P. 8(a)* because it has merely "alleged" but not "'show[n]' -- 'that the pleader is entitled to relief.'" *Id. at 679* (quoting *Fed. R. Civ. P. 8(a)(2)*).

Because [HN3] a motion [*15] to dismiss must be decided based on the allegations of the complaint or on documents that are attached to the complaint, incorporated in it by reference, or that are otherwise integral to the allegations, see *Roth v. Jennings, 489 F.3d 499, 509 (2d Cir. 2007)*, we have ignored defendants' citation to non-record evidence, see, e.g., Def. Reply at 5 (discussing the contents of websites not cited in the complaint).

III. DISCUSSION

A. Federal Trademark Infringement Claims

LBF alleges in Count I of its amended complaint that defendants are liable for trademark infringement under *Section 32* of the Lanham Act, *15 U.S.C. § 1114*, for "purchasing LBF's Marks as advertising keywords as means of advertising and selling Defendants' goods and services." Compl. ¶ 111. Similarly, in Count II, LBF contends that defendants are liable under Section 43 of the Lanham Act, *15 U.S.C. § 1125*, because their "purchase of LBF's Marks as advertising keywords . . . falsely suggests that they are associated with [LBF]." Id. ¶ 125.

[HN4] "Section 32(1)(a) of the Lanham Act prohibits any person from 'us[ing] in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely [*16] to cause confusion, or to cause mistake, or to deceive.'" *Kelly Brown v. Winfrey, 717 F.3d 295, 304 (2d Cir. 2013)* (quoting *15 U.S.C. § 1114(1)(a)*). "Section 43(a) of the Lanham Act prohibits a person from using 'any word, term, name, symbol, or device, or any combination thereof . . . which . . . is likely to cause confusion . . . as to the origin, sponsorship, or approval of his or her goods.'" *Louis Vuitton Malletier v. Dooney & Bourke, Inc., 454 F.3d 108, 114 (2d Cir. 2006)* (quoting *15 U.S.C. § 1125(a)*). As recently explained by [HN5] the Second Circuit, courts employ the following two-step framework in analyzing trademark infringement claims:

> "First, we look to see whether plaintiff's mark merits protection." *Louis Vuitton Malletier v. Dooney & Bourke, Inc., 454 F.3d 108, 115 (2d Cir. 2006)*. In order for a trademark to be protectable, the mark must be "distinctive" and not "generic." *Genesee Brewing Co. v. Stroh Brewing Co., 124 F.3d 137, 143 (2d Cir. 1997)*. A mark is said to be "inherently" distinctive if "[its] intrinsic nature serves to identify a

> particular source." *Two Pesos, Inc. v. Taco Cabana, Inc., 505 U.S. 763, 768, 112 S.Ct. 2753, 120 L.Ed.2d 615 (1992)* . . . .
>
> Second, if (and only if) the plaintiff's trademark is "distinctive" within the meaning of trademark law and is therefore valid and protectable, we must then determine "whether [the] defendant's use of a similar mark is likely to cause consumer confusion." *Louis Vuitton Malletier, 454 F.3d at 115* . . . .

Christian Louboutin S.A. v. Yves Saint Laurent Am. Holding, Inc., 696 F.3d 206, 216-17 (2d Cir. 2012) (footnotes omitted); accord *Tiffany (NJ) Inc. v. eBay Inc., 600 F.3d 93, 102 (2d Cir. 2010)* (same); see also *The Sports Auth., Inc. v. Prime Hospitality Corp., 89 F.3d 955, 960 (2d Cir. 1996)* ("To succeed on its Lanham Act claims, [plaintiff] must show that it has a valid mark that is entitled to protection [*17] under the Lanham Act and that [defendant's] actions are likely to cause confusion with [plaintiff's] mark.") (citing *15 U.S.C. §§ 1114(1), 1125(a)(1)(A)*).

Defendants argue that LBF's allegations that defendants "purchas[ed] internet search keywords through the Google AdWords program and similar programs at Yahoo! and Bing . . . do not suffice to state a valid cause of action for trademark infringement." Def. Mem. at 2; see also Orig. Def. Mem. at 3-5; Def. Reply at 3-4. Specifically, they argue that "[t]he mere purchase of trademarked keywords alone without something more does not constitute use of a trademark in commerce or support a claim of likely confusion." Def. Reply at 2. As defendants have pointed out, LBF has not alleged that defendants include LBF's trademarks in the text of their advertisements generated through the SEM programs. See id. at 1-2. Rather, LBF asserts that defendants unlawfully "use" LBF's trademarks when advertisements for defendants' products or websites are generated as a result of defendants having bid on LBF's trademarks through the SEM programs and that the prominent placements of defendants' advertisements, which directly results from their bids on LBF's trademarks, misleads and causes confusion among consumers [*18] using the search engines. See Compl. ¶¶ 68-71.

Defendants' argument requires us to interpret what it means to "use" a mark in commerce. Under *15 U.S.C. § 1127*, "a mark shall be deemed to be use[d] in commerce . . . when it is used or displayed in the sale or advertising of services and the services are rendered in commerce . . . ." In *Rescuecom Corp. v. Google Inc., 562 F.3d 123 (2d Cir. 2009)*, the Second Circuit directly addressed the question of whether Google "used" other companies' trademarks when it marketed and sold keywords for those trademarks through the Google AdWords program. Rescuecom held that Google had "use[d] in commerce" the trademarks because Google "displays, offers, and sells [the plaintiff's] mark to Google's advertising customers when selling its advertising services . . . [and] encourages the purchase of [the plaintiff's] mark through its Keyword Suggestion Tool." *562 F.3d at 129*. While Google argued that its inclusion of the trademark in what amounted to "an internal computer directory" at Google could not constitute trademark "use," Rescuecom rejected this argument. Id. The court noted that "Google's recommendation and sale [of plaintiff's trademark] to its advertising customers are not internal uses." Id. It explained that, if it were to adopt Google's argument [*19] that "an alleged infringer's use of a trademark in an internal software program insulates the alleged infringer from a charge of infringement," this would then allow "the operators of search engines . . . to use trademarks in ways designed to deceive and cause consumer confusion" which would be "neither within the intention nor the letter of the Lanham Act." *Id. at 130*.

Defendants seek to distinguish Rescuecom, contending that while Google's marketing and sale of trademarks as keywords may satisfy the "use" requirement, an advertiser's act of buying the keywords from Google does not. Defendants argue that "[a]bsent some additional customer-facing 'use' of the trademark so as to give rise to the potential for confusion, there can be no trademark infringement claim." Def. Reply at 3. [HN6] We do not see a meaningful difference, however, between a search engine's act of selling to an advertiser a service derived from the use of a trademark (which Rescuecom unequivocally found to be "use" under trademark law) and the advertiser's action in purchasing that benefit. Both have "used" the trademark in the same way: by engaging in a commercial transaction -- the search engine as the seller and the advertiser as the [*20] purchaser -- to produce a display of search result advertisements that derives from the use of a trademark. The notion that there must be some "additional customer-facing 'use'" of the trademark finds no support in Rescuecom inasmuch as there was no such additional "customer-facing" use there either.

Indeed, since Rescuecom was decided, multiple courts have found the "use in commerce" requirement to be met in the exact scenario presented in our case. For example, in *CJ Prods. LLC v. Snuggly Plushez LLC, 809 F. Supp. 2d 127 (E.D.N.Y. 2011)*, the defendant had purchased the plaintiff's trademarked names through the Google AdWords program. The Court concluded that "there is no dispute that defendants' use of the [plaintiff's] mark to purchase AdWords to advertise its products for sale on the Internet constitutes 'use in commerce' under the Lanham Act." *CJ Products, 809 F. Supp. 2d at 158* (citing *Rescuecom, 562 F.3d at 127*). Similarly, in *Allied Interstate LLC v. Kimmel & Silverman P.C., 2013 U.S. Dist. LEXIS 113465, 2013 WL 4245987 (S.D.N.Y. Aug. 12, 2013)*, the court in denying a motion to dismiss a trademark claim found that "[a]lthough Defendants attempt to draw a distinction between Google's sale of Plaintiff's mark and their own purchase thereof, it is clear . . . that Defendant is using Plaintiff's trademark in commerce." *2013 U.S. Dist. LEXIS 113465, [WL] at *3*; accord *Austl. Gold, Inc. v. Hatfield, 436 F.3d 1228, 1233 (10th Cir. 2006)* ("Defendants continued to use the trademarks . . . on the metatags for their Web sites to attract customers to [*21] the Web sites, and to pay [online search engine] for a premium placement if either trademark was used in a search query."); *Playboy Enters., Inc. v. Netscape Commc'ns Corp., 354 F.3d 1020, 1025 (9th Cir. 2004)* (finding "actionable" trademark use where "defendants, in conjunction with advertisers, have misappropriated the goodwill of [plaintiff's] marks by leading Internet users to competitors' websites"); *Hearts on Fire Co., LLC v. Blue Nile, Inc., 603 F. Supp. 2d 274, 283 (D. Mass. 2009)* ("[T]here is little question that the purchase of a trademarked keyword to trigger sponsored links constitutes a 'use' within the meaning of the Lanham Act."); see also *Network Automation, Inc. v. Advanced Sys. Concepts, Inc., 638 F.3d 1137, 1145 (9th Cir. 2011)* ("We now agree with the Second Circuit that [HN7] [the purchase of trademark as a search engine keyword] is a 'use in commerce' under the Lanham Act.") (citing *Rescuecom, 562 F.3d at 127*). Defendants have cited several district court cases holding such internal use cannot satisfy the "use" requirement, see Orig. Def. Mem. at 4, but they all precede Rescuecom, and Rescuecom explicitly rejected this line of authority, see *562 F.3d at 129-30*. Indeed, although defendants failed to disclose it in their brief, Rescuecom specifically criticized one of the very cases defendants cite: *Merck & Co., Inc. v. Mediplan Health Consulting, Inc., 425 F. Supp. 2d 402 (S.D.N.Y. 2003)*. See *Rescuecom, 562 F.3d at 129-30*. We are aware of no authorities since Rescuecom that support defendants' position.

In sum, this Court is bound by the Rescuecom decision and does not see any distinction between [*22] the "use" found there and the "use" alleged in this case. Accordingly, LBF sufficiently plead the "use in commerce" requirement when it alleged that defendants purchased LBF's trademarks as keywords from Google AdWords and other SEM programs, which led to defendants' advertisements being displayed on the search results pages for LBF's keywords in such a way as to confuse online customers.

B. State Common Law and Statutory Claims for Trademark Infringement

LBF has raised claims for "trademark infringement and unfair competition in violation of New York state common law" as well as analogous claims arising under the New York General Business Law. Compl. ¶ 1. With regard to these claims, LBF has made the same allegations involving defendants' improper and misleading use of LBF's trademarks through Google AdWords and the other SEM programs.

It is well established that [HN8] "[t]he elements necessary to prevail on causes of action for trademark infringement and unfair competition under New York common law mirror the Lanham Act claims." *ESPN, Inc. v. Quiksilver, Inc., 586 F. Supp. 2d 219, 230 (S.D.N.Y. 2008)*; accord *Van Praagh v. Gratton, 993 F. Supp. 2d 293, 301 (E.D.N.Y. 2014)* ("Courts employ substantially similar standards when analyzing claims for trademark infringement under the Lanham Act, *15 U.S.C. § 1114(1)(a)*; false designation of origin under the [*23] Lanham Act, *15 U.S.C. § 1125(a)*; trademark infringement under New York common law; and unfair competition under New York common law."). That is -- "[t]o prevail on a statutory or common law claim of trademark infringement, a party must establish that the symbols for which it seeks trademark protection are valid, legally protectable marks and that another's subsequent use of a similar mark is likely to create confusion as to the origin of the product." *Tri-Star Pictures, Inc. v. Leisure Time Prods., B.V., 17 F.3d 38, 43 (2d Cir. 1994)*; accord *Audi AG v. Shokan Coachworks, Inc., 592 F. Supp. 2d 246, 270-71 (N.D.N.Y. 2008)* (same). Additionally, the plaintiff must "show that the defendant acted in bad faith." See *Luv n' Care, Ltd. v. Mayborn USA, Inc., 898 F. Supp. 2d 634, 643 (S.D.N.Y. 2012)*.

Defendants argue that LBF's state common law and statutory claims should be dismissed because "the Amended Complaint fails to show how LBF was harmed by [defendants'] alleged conduct, which is required for the common law and state statutory claims." Def. Mem. at 8. While defendants' analysis on this point is lacking in citation to authorities, it appears that the crux of their argument is that the complaint does not adequately show consumer confusion. See Def. Reply at 7 ("LBF must recognize that it is on thin ice in relying on anonymous online reviews for its allegations of consumer confusion.").[2]

2 Some of LBF's state statutory claims have elements that [*24] are additional to or different from the federal or state common law trademark infringement claims. However, in arguing that LBF's state law claims are improperly pled, defendants do not appear to raise distinct arguments for such claims. Nor is the Court obliged to construe defendant's brief as making such arguments given that defendants were required to set forth their legal arguments "with particularity." See *Fed. R. Civ. P. 7(b)(1)(B)*; *E.E.O.C. v. Int'l Ass'n of Bridge, Structural & Ornamental Ironworkers, Local 580, 139 F. Supp. 2d 512, 523 (S.D.N.Y. 2001)* ("*Rule 7(b)(1)* . . . [is] designed to afford the opposing party with a meaningful opportunity to respond and the court with enough information to process the motion correctly.") (internal punctuation and citation omitted).

[HN9] "Likelihood of confusion requires that an appreciable number of ordinarily prudent purchasers are likely to be misled, or indeed simply confused, as to the source of the goods in question, . . . or are likely to believe that the mark's owner sponsored, endorsed, or otherwise approved of the defendant's use of the mark." *Merck, 425 F. Supp. 2d at 411* (internal punctuation and citations omitted). [HN10] To determine whether there is a likelihood of confusion between two or more marks, courts in this Circuit apply the eight factors set forth in *Polaroid Corp. v. Polarad Electronics Corp., 287 F.2d 492, 495 (2d Cir. 1961)*: (i) the strength of the plaintiff's trademark; (ii) the degree [*25] of similarity between the parties' marks; (iii) the proximity of the products; (iv) the likelihood that the plaintiff will "bridge the gap" between the products; (v) the existence of actual confusion; (vi) the defendant's good faith; (vii) the quality of the defendant's product; and (viii) the sophistication of the consumers. See, e.g., *Star Indus., Inc. v. Bacardi & Co. Ltd., 412 F.3d 373, 384-91 (2d Cir. 2005)* (applying Polaroid factors). Likelihood of confusion is an issue on which the plaintiff bears the burden of proof. See, e.g., *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc., 543 U.S. 111, 117-18, 125 S. Ct. 542, 160 L. Ed. 2d 440 (2004)*. However, "[t]here is no requirement that a plaintiff address the Polaroid factors in its pleading; such a requirement would be inconsistent with the 'notice pleading' philosophy of the Federal Rules of Civil Procedure." *Eliya, Inc. v. Kohl's Dep't Stores, 2006 U.S. Dist. LEXIS 66637, 2006 WL 2645196, at *3 n.2 (S.D.N.Y. Sept. 13, 2006)*; accord *Sussman-Automatic Corp. v. Spa World Corp., 15 F. Supp. 3d 258, 2014 U.S. Dist. LEXIS 57958, 2014 WL 1651953 at *6 (E.D.N.Y. Apr. 25, 2014)*. Thus, it has been often stated that "[HN11] [l]ikelihood of confusion is a fact-intensive analysis that ordinarily does not lend itself to a motion to dismiss." *Van Praagh, 993 F. Supp. 2d at 303* (citing cases). A motion to dismiss will be granted for failure to plead likelihood of confusion only if "no reasonable factfinder could find a likelihood of confusion on any set of facts that plaintiff could prove." *Brown & Brown, Inc. v. Cola, 745 F. Supp. 2d 588, 617 (E.D. Pa. 2010)* (internal quotation marks and citation omitted); see also *Van Praagh, 993 F. Supp. 2d at 303-04* (finding that "likelihood of confusion" had been sufficiently pled where it was "possible" [*26] that the defendant's use of the plaintiff's trademark "may confuse a consumer into think that her services are in some way connected to or endorsed by the [p]laintiff").

Here, LBF alleged sufficient facts to plausibly suggest a likelihood of consumer confusion. LBF alleges that "[w]hen an Internet user searching on a search engine for LBF's Marks is presented with a search results page which contains multiple sponsored links, one of which may be for [LBF's] websites, and others for Defendants' competing websites . . . [the user] may click on one of the sponsored links for Defendants' websites, believing that it is related to, or sponsored by [LBF]." Compl. ¶ 73. In Rescuecom, the Second Circuit recognized that allegations of this sort are sufficient to survive a motion to dismiss. Specifically, the court stated that the plaintiff had alleged that "would-be purchasers (or explorers) of its services who search for its website on Google are misleadingly directed to the ads and websites of its competitors in a manner which leads them to believe mistakenly that these ads or websites are sponsored by, or affiliated with [the plaintiff]." *Rescuecom, 562 F.3d at 130-31*. The court noted that it did not have to determine whether this "practice [*27] is in fact benign or confusing" because it "consider[s] at the 12(b)(6) stage only what is alleged in the Complaint." *Id. at 131*. Thus, we conclude that LBF's allegations raise the reasonable inference that Internet users have likely believed LBF "sponsored, endorsed, or otherwise approved of [defendants'] use of the [LBF] mark." *Merck, 425 F. Supp. 2d at 411*. Because we have found such allegations to be sufficient, there is no need to address defendants' argument that LBF's citation to consumer complaints are by themselves inadequate to show likelihood of confusion.

Accordingly, because LBF has provided sufficient allegations suggesting a likelihood of consumer confusion, defendants' arguments on this point should be rejected.[3]

3 Defendants also argue that these claims should be dismissed because, like the federal Lanham Act claims, they do not establish that LBF's marks were "use[d] in commerce." See Def. Mem. at 3. We reject this argument for the reasons stated above in Section III.A.

C. State Deceptive Practices Claims

In Counts VI and VII of its amended complaint, LBF alleges that defendants violated *New York Gen. Bus. Law §§ 349* and *350* by "willfully using LBF's Marks, trade names," and "close variations" or "key parts" thereof "without [LBF's] consent and advertising [*28] misleading sales, promotions and deals to the New York consumer public." Compl. ¶¶ 152, 157. LBF alleges that this "unauthorized, wilful use . . . is likely to cause confusion, mistake, or deception as to the source, sponsorship, or approval of Defendants' travel services and falsely and deceptively represent Defendants' travel services as being affiliated with, sponsored by, authorized by, or provided by, [LBF]." Id. ¶¶ 153, 158. LBF alleges that these actions "provide an unfair commercial and financial benefit to Defendants, have caused or threaten to cause injury to [LBF's] good will and reputation, and unfairly divert customers and revenue from [LBF]." Compl. ¶¶ 153, 159.

[HN12] *N.Y. Gen. Bus. Law § 349* contains a general prohibition on "[d]eceptive acts or practices in the conduct of any business, trade or commerce or in the furnishing of any service." Similarly, *N.Y. Gen. Bus. Law § 350* prohibits "[f]alse advertising in the conduct of any business, trade or commerce or in the furnishing of any service." Both of these sections contain provisions creating private rights of action to recover damages suffered as a result of such conduct. See *N.Y. Gen. Bus. Law §§ 349(h)*, *350-e(3)*; *Blue Cross & Blue Shield of N.J., Inc. v. Philip Morris, Inc., 133 F. Supp. 2d 162, 166 (E.D.N.Y. 2001)*.

[HN13] "To successfully assert a claim under General Business Law *§ 349 (h)* or *§ 350*, 'a plaintiff must allege that a defendant [*29] has engaged in (1) consumer-oriented conduct that is (2) materially misleading and that (3) plaintiff suffered injury as a result of the allegedly deceptive act or practice.'" *Koch v. Acker, Merrall & Condit Co., 18 N.Y.3d 940, 941, 967 N.E.2d 675, 944 N.Y.S.2d 452 (2012)* (quoting *City of N.Y. v. Smokes--Spirits.Com, Inc., 12 N.Y.3d 616, 621, 911 N.E.2d 834, 883 N.Y.S.2d 772 (2009))*; accord *Orlander v. Staples, Inc., 2014 U.S. Dist. LEXIS 89259, 2014 WL 2933152, at *8 (S.D.N.Y. June 30, 2014)*. "Although the statute is, at its core, a consumer protection device . . . corporate competitors now have standing to bring a claim under this statute so long as some harm to the public at large is at issue." *Securitron Magnalock Corp. v. Schnabolk, 65 F.3d 256, 264 (2d Cir. 1995)* (internal punctuation, brackets, and citations omitted); see *In re Houbigant Inc., 914 F. Supp. 964, 983 (S.D.N.Y. 1995)* (noting that "courts have held that competitors have standing to challenge deceptive practices under *Sections 349* and *350* so long as some harm to the public at large is at issue") (internal quotation marks and citation omitted), clarified on rearg., *914 F. Supp. 997 (S.D.N.Y. 1996)*. [HN14] For a competitor to assert a claim under *§ 349* or *§ 350*, however, "the gravamen of the complaint must be consumer injury or harm to the public interest." *Securitron, 65 F.3d at 264* (internal quotation marks and citation omitted); see *4 K & D Corp. v. Concierge Auctions, LLC, 2 F. Supp. 3d 525, 548 n.13 (S.D.N.Y. 2014)* ("courts routinely reject a competitor's *Sections 349* and *350* claims if the gravamen of the complaint is . . . harm to plaintiff's business rather than harm to the public interest in New York at large.") (internal quotation marks and citation omitted); see also *Gucci Am., Inc. v. Duty Free Apparel, Ltd., 277 F. Supp. 2d 269, 274 (S.D.N.Y. 2003)* ("Where the gravamen of the [*30] complaint is harm to a business as opposed to the public at large, the business does not have a cognizable cause of action under *§ 349*."); *Something Old, Something New, Inc. v. QVC, Inc., 1999 U.S. Dist. LEXIS 18878, 1999 WL 1125063, at *11 (S.D.N.Y. Dec. 8, 1999)* ("In order for a claim brought under either *section [349* or *350*] to be successful, the gravamen of the complaint must be consumer injury or harm to the public interest.") (internal quotation marks and citation omitted). In other words, a plaintiff "must show that the acts or practices [of the defendants] have a broader impact on consumers at large in that they are directed to consumers or that they potentially affect similarly situated consumers," and "that consumers be harmed by the defendants' alleged conduct." *Tasini v. AOL, Inc., 851 F. Supp. 2d 734, 742 (S.D.N.Y. 2012)* (internal quotation marks and citation omitted) (dismissing plaintiff's claim brought under *§ 349* because the complaint "fail[ed] to state facts indicating that the defendants' alleged misleading conduct was consumer-oriented.").

Defendants argue that LBF's allegations "do not indicate any risk to the public's health or safety or any harm to the public interest as required to state a valid claim under *§ 349* or *§ 350*." Orig. Def. Mem. at 17. [HN15] "[C]ourts in New York have routinely dismissed trademark claims brought under *Sections 349* and *350* as being outside the scope of the statutes, because ordinary trademark [*31] disputes do not 'pose a significant risk of harm to the public health or interest' and are therefore not the type of deceptive conduct that the statutes were designed to address." *Kaplan, Inc. v. Yun, 16 F. Supp. 3d 341, 2014 U.S. Dist. LEXIS 60225, 2014 WL 1689040, at *9 (S.D.N.Y. Apr. 30, 2014)* (quoting *DePinto v. Ashley Scott, Inc., 222 A.D.2d 288, 635 N.Y.S.2d 215, 217 (1st Dep't 1995))*. In other words, *§ 349* and *§ 350* claims cannot be brought in "trademark infringement actions alleging only general consumer confusion" because such allegations do not suffice to establish "direct harm to consumers." *Perkins School for the Blind v. Maxi-Aids, Inc., 274 F. Supp. 2d 319, 327 (E.D.N.Y. 2003)*. Thus, for a claim to be cognizable under these provisions, there must be some "specific and substantial injury to the public interest over and above the ordinary trademark infringement . . . ." *Nomination Di Antonio E Paolo Gensini S.N.C. v. H.E.R. Accessories Ltd., 2009 U.S. Dist. LEXIS 117368, 2009 WL 4857605, at *8 (S.D.N.Y. Dec. 14, 2009)* (emphasis omitted).

To the extent LBF's *§ 349* and *§ 350* claims are premised on defendants' use of the SEM programs to "falsely and deceptively represent Defendants' travel services as being affiliated with, sponsored by, authorized by, or provided by, [LBF]," Compl. ¶¶ 153, 158, these claims must fail. These allegations regarding the SEM programs do not establish any "significant risk of harm to the public health or interest." *H.E.R. Accessories Ltd., 2009 U.S. Dist. LEXIS 117368, 2009 WL 4857605, at *8* (dismissing claims brought under *§ 349* and *§ 350* because the "alleged injury -- confusion and deception of the consuming public -- . . . is not distinct from the very harm that trademark laws generally [*32] seek to redress and thus is not over and above ordinary trademark infringement") (internal quotation marks and citation omitted); see also *Luv N' Care, 695 F. Supp. 2d at 135-36* (allegations that defendant "conduct[ed] a 'bait and switch,' and mislead[] customers by commissioning misleading 'knock-off' products and 'palming them off' to confused customers" insufficient to state a cause of action under *N.Y. Gen. Bus. Law § 349*); *Gross v. Bare Escentuals Beauty, Inc., 632 F. Supp. 2d 293, 299 (S.D.N.Y. 2008)* ("Consumer confusion as to the source of the product does not create a cause of action under [*N.Y. Gen. Bus. Law § 349*].").

To the extent LBF's *§ 349* and *§ 350* claims are premised on defendants' "comparative savings claims for airfares posted to their websites," Compl. ¶ 103, these claims must also fail because LBF has not alleged any facts showing harm to the public. LBF alleges that the advertised savings "were misleading and grossly exaggerated and/or did not actually offer savings to the consumers." Id. These advertised savings were misleading, according to LBF, because the defendants failed to explain the rates that were being used as benchmarks or the source of those benchmarks. Id. ¶ 104. LBF's allegations, however, do not show that consumers were actually harmed -- as opposed to being unfairly induced to purchase from defendants' websites. Pointing to its [*33] allegation that defendants "announced limited-time price reductions when the rates were available on the [sic] ongoing basis," id. ¶ 103, LBF argues that these claims deceived consumers, see Pl. Mem. at 18. But once again, these allegations do not reflect that any actual harm was experienced by the consumer.

Finally, LBF alleges that defendants "made other unsupported claims," Compl. ¶ 103, "such as 'CheapOair saves you time and guarantees the best rate,' implying that they offered the best and lowest rates, leaving no reason for consumers to comparison shop for better rates," id. ¶ 107. But these allegations are simply too vague to allow the conclusion that defendants' "unsupported claims" resulted in actual harm to the public. That LBF may have lost business as a result of defendants' assertions is not enough to meet the requirements of the statute. See *Kforce, Inc. v. Alden Pers., Inc., 288 F. Supp. 2d 513, 519 (S.D.N.Y. 2003)* ("as long as the public receives the product or service, a loss of business by the plaintiff is not considered a public harm"); *QVC, Inc., 1999 U.S. Dist. LEXIS 18878, 1999 WL 1125063, at *12* ("[a] deliberate effort by one competitor to destroy the other's business is not considered a harm to the public interest . . . . Even if plaintiffs lost sales to [the defendant], the public still received [*34] its [product]."); *Fashion Boutique of Short Hills, Inc. v. Fendi USA, Inc., 1992 U.S. Dist. LEXIS 9881, 1992 WL 170559, at *4 (S.D.N.Y. July 2, 1992)* (where "the gravamen of [plaintiff's] . . . claim is harm to a store, not harm to its customers, nor harm to the public at large . . . . the alleged harm to the plaintiff's business far outweighs any incidental harm to the public at large.").

Indeed, even if LBF had alleged that it or another competitor actually offered better rates, [HN16] "[t]he limited public harm alleged, that . . . consumers paid more for an allegedly inferior product, is incidental in nature and insufficient to support a claim under *§ 349*." *Reed Const. Data Inc. v. McGraw-Hill Cos., Inc., 745 F. Supp. 2d 343, 355 (S.D.N.Y. 2010)* (where the "only allegation regarding public harm is that consumers in the New York construction data market may have overpaid to subscribe to the Dodge Network when Reed Connect is a superior product . . . . it does not state a claim under *New York GBL § 349*."); see also *Gucci 277 F. Supp. 2d at 275* (finding that defendants' "allegation that consumers will be forced to . . . pay much higher prices to purchase the same items from [a competitor], does not set forth sufficient consumer harm to state a claim under *§ 349*."). The same reasoning applies to a claim under *section 350*. See, e.g., *Greenlight Capital, Inc. v. Greenlight (Switzerland) S.A., 2005 U.S. Dist. LEXIS 2, 2005 WL 13682, at *6 n.8 (S.D.N.Y. Jan. 3, 2005)* ("The public harm analysis of a *N.Y. Gen. Bus. Law § 349* holds true for *§ 350* claims, which are based on a specific type of deception, [to wit,] false advertising.").

In the end, [*35] the allegations regarding comparative savings "focus[] on harm to [LBF's] business interest, not consumer injury or harm to the public interest." *Reed Const. Data, 745 F. Supp. 2d at 355*. The crux of LBF's claims is that defendants' actions "provide an unfair commercial and financial benefit to Defendants, have caused or threaten to cause injury to Plaintiff's good will and reputation, and unfairly divert customers and revenue from Plaintiff." Compl. ¶¶ 153, 159. Such allegations do not meet the requirements of *sections 349* or *350*.

Accordingly, counts VI and VII of the complaint should be dismissed.

D. Trade Dress Infringement Claims

The complaint alleges that defendants are liable for trade dress infringement because their "intentional, imitation of the distinctive look and feel of [LBF's] websites, are likely to cause confusion, mistake, or deception as to the source, sponsorship, or approval of defendants' travel services." Id. ¶ 163; see also id. ¶¶ 133-37.

[HN17] "To establish a claim of trade dress infringement under [the Lanham Act], plaintiff must first demonstrate that its trade dress is either inherently distinctive or that it has acquired distinctiveness through a secondary meaning . . . [and] must [then] demonstrate that there is a likelihood [*36] of confusion between defendant's trade dress and plaintiff's." *Fun-Damental Too, Ltd. v. Gemmy Indus. Corp., 111 F.3d 993, 999 (2d Cir. 1997)* (emphasis omitted). "The defendant may avoid liability, however, by proving that the trade dress is not worthy of protection under the trademark law because it is functional." *Laureyssens v. Idea Grp., Inc., 964 F.2d 131, 136 (2d Cir. 1992)*.

Defendants argue that the complaint does not adequately plead the substantive elements of a trade dress claim. See Def. Mem. at 3-6. We need not address any of these contentions, however, because we agree with defendants' alternative argument that the website trade dress infringement claims must be dismissed because they were required to be brought as counterclaims in a prior action. See id. at 6.

Before the instant case was filed, Fareportal and WK Travel filed a complaint against LBF in the United States District Court for the Southern District of New York in which they asserted claims for trademark infringement, trade dress infringement, and unfair competition. See Complaint, filed Apr. 11, 2013 (Docket # 1 in 13 Civ. 2412) ("Def. Compl."). Some of the claims by Fareportal and WK Travel mirror the claims asserted by LBF here. For example, Fareportal and WK Travel allege that LBF purchased keywords of its competitors' trademarks, including Cheapoair and [*37] OneTravel, in the Google AdWords program. See id. ¶ 36. Additionally, they contend that LBF's Smartfares.com website homepage imitates WK Travel's OneTravel.com homepage, see id. ¶¶ 70-75, and that LBF's Travelation.com search screen imitates the search screen of OneTravel.com, see id. ¶¶ 91-95. On May 13, 2013, LBF filed an answer in that suit but did not assert any counterclaims against Fareportal and WK Travel. See Answer to Complaint, filed May 13, 2013 (Docket # 5 in 13 Civ. 2412).

[HN18] Under *Fed. R. Civ. P. 13(a)*, "[a] pleading must state as a counterclaim any claim that -- at the time of its service -- the pleader has against an opposing party if the claim: (A) arises out of the transaction or occurrence that is the subject matter of the opposing party's claim; and (B) does not require adding another party over whom the court cannot acquire jurisdiction." The effect of *Rule 13(a)* is that "[a] counterclaim which is compulsory but is not brought is thereafter barred." *Baker v. Gold Seal Liquors, Inc., 417 U.S. 467, 469 n.1, 94 S. Ct. 2504, 41 L. Ed. 2d 243 (1974)*; accord *Mali v. Fed. Ins. Co., 720 F.3d 387, 395 (2d Cir. 2013)* ("A counterclaim that is not timely pled is subsequently barred.") (citing *Baker, 417 U.S. at 469 n.1*).

[HN19] "Whether a counterclaim is compulsory or permissive turns on whether the counterclaim arises out of the transaction or occurrence that is the subject matter of the [*38] opposing party's claim, and this Circuit has long considered this standard met when there is a 'logical relationship' between the counterclaim and the main claim." *Jones v. Ford Motor Credit Co., 358 F.3d 205, 209 (2d Cir. 2004)* (internal quotation marks and citation omitted). Under this standard, there need not be "an absolute identity of factual backgrounds"; rather, the logical relationship test only requires that "the essential facts of the claims [are] so logically connected that considerations of judicial economy and fairness dictate that all the issues be resolved in one lawsuit." Id. (internal quotation marks and citations omitted); accord *Critical-Vac Filtration Corp. v. Minuteman Int'l, Inc., 233 F.3d 697, 699 (2d Cir. 2000)*.

Defendants assert that LBF's trade dress claims have "logical and factual connections" with the claims defendants brought against LBF in the prior suit because "[e]stablishing the dates of first use of each party's trade dress answers the question of who has the trade dress rights in both action[s]." Def. Mem. at 6. Defendants also point out that "a substantial amount of the language in [defendants'] original website trade dress infringement claims against LBF . . . reappears in LBF's Amended Complaint . . . thus reinforcing the connections between the two actions." Id. Defendants contend that "determining the priority of [*39] the websites is the identical issue in the Fareportal Action and this action so the claims must arise from the same aggregate set of operative facts, and logically relate to each other." Def. Reply at 7.

As defendants have correctly noted, LBF's trade dress infringement claims are not only logically related to defendants' trade dress claims, they are premised on the exact same factual issues. In their complaint against LBF in the prior action, defendants allege that LBF "mimicked the distinctive 'look and feel' of [defendants'] websites in order to make their own competing services appear connected with [defendants'] services and thereby misappropriate [defendants'] good will and customers." Def. Compl. ¶ 125. Additionally, defendants contend that "LBF Travel's . . . conscious imitation and subjective intent to imitate and create a likelihood of consumer confusion is evidenced by the cumulative lack of differentiation between the distinctive, nonfunctional design elements of their competing websites." Id. ¶ 127. Specifically, defendants allege that "[t]he layout of the homepage for [LBF's] Smartfares.com is substantially similar to the homepage for Onetravel.com," id. ¶ 73, and that LBF's [*40] website "Travelation.com has adopted a search screen that is substantially similar to the one developed and used by OneTravel.com," id. ¶ 94.

In its complaint in this case, LBF has brought essentially identical trade dress infringement claims against defendants, with the only difference being that LBF has alleged that its websites pre-dated defendants' websites. Indeed, LBF alleges the same trade dress similarities described in defendants' prior complaint. Just as defendants alleged that LBF's Smartfares.com website mimicked the Onetravel.com website, LBF asserts in its complaint here that "[d]efendants blatantly imitated the distinctive graphic and interactive elements of Smartfares.com design . . . [on] [t]he homepage for

Onetravel.com." Compl. ¶ 91. Additionally, defendants' claim in the prior suit that "Travelation.com has adopted a search screen that is substantially similar to the one developed and used by OneTravel.com," Def. Compl. ¶ 94, is mirrored by LBF's claim that "Onetravel.com has adopted a search screen that has substantially similar look and feel to the one developed and used by Travelation.com," Compl. ¶ 93. Thus, defendants' and LBF's trade dress claims are premised on the same set [*41] of facts.

In response to defendants' argument on this point, LBF asserts without support or even explanation that its "claims against [defendants] . . . arise from an entirely different set of transactions" and that "the underlying conduct is not the same." Pl. Mem. at 12. LBF never elucidates, however, how the factual predicates of the two claims are different, other than the irrelevant assertion that two different parties are being accused of trade dress infringement. See id. ("[In the earlier action,] LBF is the purported infringer with respect to Fareportal's trademarks and trade dress; in this action, it is Fareportal who is accused of infringing on LBF's trademarks and trade dress."). LBF spends most of its argument on this point discussing the case of *Mattel, Inc v. MGA Entertainment, Inc., 705 F.3d 1108 (9th Cir. 2013)*, which involved competing claims of misappropriation of trade secrets. Mattel, however, provides no guidance here. In Mattel, the plaintiff alleged that its former employees had disclosed its trade secrets directly to the defendant. *705 F.3d at 1110*. The defendant, by contrast, alleged that the plaintiff's employees stole the defendant's trade secrets "by engaging in chicanery (such as masquerading as buyers) at toy fairs." Id. Mattel unremarkably [*42] held that the two sets of claims did not have the necessary "logical relationship" because the trade secret claims involved a different "aggregate core of facts." Id. In our case, by contrast, LBF and defendants' claims for trade dress infringement are premised on the exact same facts.

In sum, because LBF's trade dress claims share a "logical relationship" with defendants' trade dress claims and indeed arise out of the same set of facts, *Fed. R. Civ. P. 13(a)* required LBF to assert them as compulsory counterclaims in defendants' prior suit. Accordingly, these claims premised on defendants' alleged trade dress infringement should be dismissed.[4]

4 Obviously, nothing herein should be construed as opining as to the merits of any motion LBF may make to amend its answer in the other lawsuit to include a counterclaim for trade dress infringement.

E. Declaratory Judgment Claims

Defendants argue that LBF's claims for "declaratory judgment of invalidity and cancellation under *15 U.S.C. § 1064* of defendants' trademark[s]," see Compl. ¶¶ 171-94, should be dismissed because "the claims are properly raised, if at all, as compulsory counterclaims in [defendants'] prior action," Def. Mem. at 12-13. Defendants assert that courts applying the logical relationship [*43] test "in the context of intellectual property litigation have confirmed that such a 'logical relationship' exists between infringement claims and invalidity claims." Def. Prior Mem. at 20. Additionally, defendants argue that the logical relatedness of the claims is demonstrated by the fact that LBF asserted trademark invalidity as an affirmative defense in the prior suit, see id. at 21, and note that LBF repeatedly mentions in its amended complaint that "[d]efendants' initiation of the [prior suit] created a case of actual controversy within the meaning of *28 U.S.C. §2201 et seq.* thus warranting the declaratory relief sought by Plaintiff in this matter," see Compl. ¶¶ 172, 178.

LBF has not responded to these arguments. Instead, it has simply stated, "[t]o the extent this Court believes that the cancellation claims are logically connected to the Fareportal Action and as such must be brought as compulsory counterclaims, LBF respectfully requests the Court's clarification of same and will proceed accordingly." Pl. Mem. at 19-20. Additionally, LBF has noted "that the Fareportal Action is still pending, and [that] LBF retains the right to make a motion for leave to amend their Answer to assert counterclaims [in that action]." Id. at 19.

[*44] Accordingly, because LBF has not disputed defendants' arguments on this issue, we deem its claims on this point to be abandoned and find that LBF's declaratory judgment claims should be dismissed. See *Frontline Processing Corp. v. Merrick Bank Corp., 2014 U.S. Dist. LEXIS 27571, 2014 WL 837050, at *11 (S.D.N.Y. Mar. 3, 2014)* ([HN20] "[Plaintiff] did not respond to [defendant's] arguments in support of its motion to dismiss the deceit claims, and therefore this Court deems the deceit claim abandoned.") (citing *Jessamy v. City of New Rochelle, 292 F. Supp. 2d 498,*

504 (S.D.N.Y. 2003)); accord *McNeil-PPC, Inc. v. Perrigo Co., 2007 U.S. Dist. LEXIS 2102, 2007 WL 81918, at *12 n.4 (S.D.N.Y. Jan. 12, 2007)* ("[Defendant] ignores Plaintiffs' contention and, therefore, the argument is deemed conceded."); see generally *Jackson v. Fed. Express, Inc., 766 F.3d 189, 194 (2d Cir. 2014)* (plaintiff who opposes only part of defendant's summary judgment motion may be deemed to have abandoned the unopposed claims).

IV. CONCLUSION

For these reasons, defendants' motion to dismiss the first amended complaint (Docket # 13) should be granted in part and denied in part. Specifically, LBF's claims for trade dress infringement, declaratory judgment, deceptive practices under *N.Y. Gen. Bus. Law § 349*, and false advertising under *N.Y. Gen. Bus. Law § 350* should be dismissed.

PROCEDURE FOR FILING OBJECTIONS TO THIS REPORT AND RECOMMENDATION

Pursuant to *28 U.S.C. § 636(b)(1)* and *Rule 72(b) of the Federal Rules of Civil Procedure*, the parties have fourteen (14) days including weekends and holidays from service of this Report and Recommendation to serve and file any objections. See also *Fed. R. Civ. P. 6(a), (b), (d)*. Such objections (and any responses to objections) shall be filed with the Clerk of the Court, with copies sent to the Hon. Lewis A. Kaplan at 500 Pearl Street, New York, New York 10007. Any request for an extension of time to file objections must be directed to Judge Kaplan. If a party fails to file timely objections, that [*45] party will not be permitted to raise any objections to this Report and Recommendation on appeal. See *Thomas v. Arn, 474 U.S. 140, 106 S. Ct. 466, 88 L. Ed. 2d 435 (1985)*; *Wagner & Wagner, LLP v. Atkinson, Haskins, Nellis, Brittingham, Gladd & Carwile, P.C., 596 F.3d 84, 92 (2d Cir. 2010)*.

Dated: November 5, 2014

New York, New York

/s/ Gabriel W. Gorenstein

GABRIEL W. GORENSTEIN

United States Magistrate Judge

EXHIBIT 4

2009 WL 10290698
Only the Westlaw citation is currently available.
United States District Court,
C.D. California.

j2 GLOBAL COMMUNICATIONS, INC., et al., Plaintiffs,
v.
ZILKER VENTURES, LLC, et al., Defendants.

No. CV 08–07470 SJO (AJWx).
|
Signed April 22, 2009.

Attorneys and Law Firms

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ORDER DENYING DEFENDANTS' RENEWED MOTION TO DISMISS AND STRIKE [Docket No. 43.]

S. JAMES OTERO, District Judge.

***1** This matter is before the Court on Defendants Zilker Ventures, LLC and ChooseWhat.com, LLC's (collectively, "Defendants") Renewed Motion to Dismiss and Strike, filed March 6, 2009.[1] Plaintiffs j2 Global Communications, Inc. ("j2 Global") and its subsidiary Call Sciences, Inc. (collectively, "Plaintiffs") filed an Opposition, to which Defendants replied. The Court found this matter suitable for disposition without oral argument and vacated the hearing set for April 20, 2009. *See* Fed.R.Civ.P. 78(b). For the following reasons, Defendants' Motion is DENIED.

I. *BACKGROUND*

Plaintiffs provide internet fax and messaging services, and use the trademarks eFax® and Onebox® to market and sell their services. (Compl.¶¶ 12–14.) Defendants operate the websites faxcompare.com and pbxcompare.com, which state that they offer "unbiased" information about various internet faxing services and online PBX service providers. (Compl. ¶ 24; Defs.' Mot. 20.) This information includes what fees each service charges, whether the service offers a free trial, what hours customer support is available for each service, and other features of each service. Plaintiffs allege that these websites are not unbiased because Defendants collect commissions and sales bonuses from Plaintiffs' competitors when Defendants' marketing and promotion efforts result in a customer purchasing the competitor's services. (Compl. ¶¶ 22, 24; Pls.' Opp'n 1.) Plaintiffs claim that Defendants rate Plaintiffs' paying competitors higher than Plaintiffs and do not disclose to viewers that they are paid by Plaintiffs' competitors to promote their services. (Compl.¶ 25.) Plaintiffs also allege that Defendants use Plaintiffs' trademarks on their websites without permission, and use them as "keywords" in internet advertising programs, such that when consumers enter "EFAX" as a search term on Google, Defendants' advertisements appear. (Compl.¶¶ 23–24.)

Based on Defendants' operation of their websites and their use of Plaintiffs' trademarked terms, Plaintiffs brought suit against Defendants alleging: (1) trademark infringement; (2) unfair competition; and (3) false advertising. Defendants now move to strike Plaintiffs' state law claims under California's Anti–Strategic Lawsuit Against Public Participation ("anti-SLAPP") statute, Cal.Code Civ. Proc. § 425.16, and for dismissal of Plaintiffs' federal law claims under Federal Rule of Civil Procedure ("Rule") 12(c).

II. *DISCUSSION*

A. *The Court DENIES Defendants' Motion to Dismiss Pursuant to California's AntiSLAPP Statute.*

The anti-SLAPP statute provides that "a cause of action against any person arising from any act of that person in furtherance of the person's right of petition or free speech under the United States or California Constitution in connection with a public issue shall be subject to a special motion to strike, unless the court determines that the plaintiff has established that there is a probability that the plaintiff will prevail on the claim." Cal.Code Civ. Proc.

§ 425.16(b)(1). "The hallmark of a SLAPP lawsuit is that it lacks merit, and is brought with the goals of obtaining an economic advantage over a citizen party by increasing the costs of litigation to the point that the citizen party's case will be weakened or abandoned, and of deterring future litigation." *Bosley Med. Inst ., Inc. v. Kremer,* 403 F.3d 672, 682 (9th Cir.2004) (citing *United States ex rel. Newsham v. Lockheed Missiles & Space Co.,* 190 F.3d 963, 970–71 (9th Cir.1999)).

***2** "A court considering a motion to strike under the anti-SLAPP statute must engage in a two-part inquiry. First, a defendant 'must make an initial prima facie showing that the plaintiff's suit arises from an act in furtherance of the defendant's rights of petition and free speech.' Second, once the defendant has made a prima facie showing, the burden shifts to the plaintiff to demonstrate a probability of prevailing on the challenged claims. *"Kinderstart .com LLC v. Google, Inc.,* No. 06–2057, 2006 U.S. Dist. LEXIS 45700, at *2–3 (N.D. Cal. June 26, 2006) (citing *Vess v. Ciba–Geigy Corp. USA,* 317 F.3d 1097, 1110 (9th Cir.2003)). "A defendant's anti-SLAPP motion should be granted when a plaintiff presents an insufficient legal basis for the claims or 'when no evidence of sufficient substantiality exists to support a judgment for the plaintiff." *Metabolife Int'l, Inc. v. Wornick,* 264 F.3d 832, 840 (9th Cir.2001) (internal citations omitted). "Only a cause of action that satisfies *both* prongs of the anti-SLAPP statute-i.e. that arises from protected speech or petitioning *and* lacks even minimal merit-is a SLAPP, subject to being stricken under the statute." *Haneline Pac. Props., LLC v. May,* 167 Cal.App.4th 311, 318, 83 Cal.Rptr.3d 919 (Cal.Ct.App.2008). In addition, courts must determine whether the anti-SLAPP statute's exception for commercial activities allows a plaintiff to bring a lawsuit despite the statute's general ban. *See* Cal.Code Civ. Proc. § 425.17. In making these determinations, the court considers "the pleadings, and supporting and opposing affidavits stating the facts upon which the liability or defense is based." *Id.* § 425.16(b)(2).

1. *Defendants Acts Arise from Protected Activity.*

Acts that arise from protected activity include "any written or oral statement or writing made in a place open to the public or a public forum in connection with an issue of public interest." *Id* . § 425.16(e)(3). Plaintiffs do not dispute that the statements on Defendants' websites were made in a public forum, but argue that they do not pertain to issues of public interest. (*See* Pls.' Opp'n 5.)

"The definition of 'public interest' within the meaning of the anti-SLAPP statute has been broadly construed to include not only governmental matters, but also private conduct that impacts a broad segment of society and/or that affects a community in a manner similar to that of a governmental entity." *Damon v. Ocean Hills Journalism Club,* 85 Cal.App.4th 468, 479, 102 Cal.Rptr.2d 205 (Cal.Ct.App.2000). "The most commonly articulated definitions of 'statements made in connection with a public issue' focus on whether: (1) the subject of the statement or activity precipitating the claim was a person or entity in the public eye; (2) the statement or activity precipitating the claim involved conduct that could affect large numbers of people beyond the direct participants; and (3) the statement or activity precipitating the claim involved a topic of widespread public interest." *Wilbanks v. Wolk,* 121 Cal.App.4th 883, 898, 17 Cal.Rptr.3d 497 (Cal.Ct.App.2004). "Consumer information ... at least when it affects a large number of persons, also generally is viewed as information concerning a matter of public interest." *Id.* at 898–899, 17 Cal.Rptr.3d 497 (citing *Paradise Hills Assocs. v. Procel,* 235 Cal.App.3d 1528, 1 Cal.Rptr.2d 514 (Cal.Ct.App.1991)). "Courts have recognized the importance of the public's access to consumer information.... Members of the public have recognized their roles as consumers and through concerted activities, both private and public, have attempted to improve their relative positions vis-a-vis the suppliers and manufacturers of consumer goods. They clearly have an interest in matters which affect their roles as consumers, and peaceful activities ... which inform them about such matters are protected by the First Amendment." *Id.* (citing *Paradise Hills Assocs.,* 235 Cal.App.3d at 1544, 1 Cal.Rptr.2d 514). Similarly, "information to assist patients in choosing doctors" constitutes a matter of public concern. *See Carver v. Bonds,* 135 Cal.App.4th 328, 344, 37 Cal.Rptr.3d 480 (Cal.Ct.App.2005).

***3** Here, Defendants' websites offer information regarding various internet faxing services and online PBX service providers. (Compl. ¶ 24; Defs.' Mot. 20.) The information allow consumers to make informed decisions, and is viewed by a large number of internet users. Thus, Defendants' activity in providing this information to consumers via their websites constitutes protected speech, and is "in connection with a public issue." *See* Cal.Code.

Civ. Proc. § 425.16(b)(1); *Wilbanks,* 121 Cal.App. 4th at, 898; *Carver,* 135 Cal.App.4th at 344, 37 Cal.Rptr.3d 480.

2. *Defendants' Activities Do Not Fall Within § 425.17's Exception.*

The anti-SLAPP statute does not apply to "any cause of action brought against a person primarily engaged in the business of selling or leasing goods or services ... arising from any statement or conduct by that person if ... (1) the statement or conduct consists of representations of fact about that person's or a business competitor's business operations, goods, or services, that is made for the purpose of obtaining approval for, promoting, or securing sales or leases of, or commercial transactions in, the person's goods or services, or the statement or conduct was made in the course of delivering the person's goods or services"; and (2) "the intended audience is an actual or potential buyer or customer...." Cal.Code Civ. Proc. § 425.17(c). The defendant bears the burden of establishing that its conduct is outside the scope of § 425.17's bar. *Girafa.com, Inc. v. Alexa Internet, Inc.,* No. 08–2745, 2008 U.S. Dist. LEXIS 78260, at *14 (N.D.Cal. Oct. 6, 2008).

Here, Defendants are not "primarily engaged in the business of selling goods or services." *Id.* Although they receive revenues from some of the business listed on their website, the websites at issue do not involve sales of any kind-viewers access and read the information listed for free. Moreover, Defendants, like Consumer Reports, provide information to consumers to allow them to make more informed purchases. And although Defendants earn revenues from some of the service providers it reviews on its website, Consumer Reports earns revenues from sales of subscriptions to its magazine and website, and the Central District of California has held that Consumer Reports is not "primarily engaged in the business of selling goods or services." *See New.Net, Inc. v. Lavasoft,* 356 F.Supp.2d 1090, 1104 (C.D.Cal.2004). In any case, as explained below, Plaintiffs have shown a probability of success on the merits and thus Defendants' motion to strike must fail.

3. *Plaintiffs Have Shown a Probability of Prevailing on the Claim.*

To establish a "probability" that they will prevail on the merits of their Complaint, Plaintiffs must "demonstrate that the [C]omplaint is both legally sufficient and supported by a sufficient prima facie showing of facts to sustain a favorable judgment if the evidence submitted by [Plaintiffs] is credited." *Rusheen v. Cohen,* 37 Cal.4th 1048, 1056, 39 Cal.Rptr.3d 516, 128 P.3d 713 (Cal.2006) (internal citations omitted). Here, Plaintiffs allege state law claims for: (1) false advertising under California Business and Professions Code ("CBPC") § 17500 et seq; (2) unfair competition under CBPC § 17200 et seq; and (3) common law unfair competition and trademark infringement.

***4** CBPC § 17200 defines unfair competition as "any unlawful, unfair, or fraudulent business act or practice and unfair, deceptive, untrue or misleading advertising and any act prohibited by" §§ 17500 to 17594. CBPC § 17500 prohibits false or misleading statements. Plaintiffs allege that Defendants' use of Plaintiffs' trademarks, "misleading comparison reviews," and alleged misrepresentation that their websites are unbiased violate these sections. These allegations are legally sufficient and would allow Plaintiffs to obtain a favorable judgment if proven true. In addition, despite Defendants' assertions otherwise, Plaintiffs need not allege reliance on Defendants' misrepresentations. *See, e.g., In re Ditropan XL Antitrust Litig.,* 529 F.Supp.2d 1098, 1106 (holding that while "it is logical to require reliance on misrepresentations when an unfair competition claim is premised on allegations of fraudulent business practices, "where ... plaintiffs allege that they were harmed by other types of misconduct actionable under [CBPC § 17200] the Court finds no basis for requiring reliance on misrepresentations") (N.D.Cal.2007). Accordingly, Plaintiffs have satisfied their burden of showing a probability of prevailing on their § 17200 and § 17500 claims.

Thus, the Court DENIES Defendants' Motion to Strike pursuant to the anti-SLAPP statute.

B. *The Court DENIES Defendants' Motion to Dismiss Pursuant to Rule 12(c).*

Rule 12(c) allows a party to move for judgment on the pleadings after the pleadings are closed. "Judgment on the pleadings is proper when, taking all allegations in the pleading as true, the moving party is entitled to judgment as a matter of law. *Stanley v. Trs. of the Cal. State. Univ.,* 433 F.3d 1129, 1133 (9th Cir.2006) (citing *Owens v. Kaiser Found. Health Plan, Inc.,* 244 F.3d 708, 713 (9th Cir.2001). "Motions for judgments on the pleadings under Rule 12(c) and motions to dismiss for failure to state a claim under Rule 12(b)(6) are 'functionally identical.' " *Pac. W. Group v. Real Time Solutions,* No. 07–56032, 2008 U.S.App. LEXIS 27037, at *3–4 (9th Cir. Nov. 24, 2008) (citing *Dworkin v. Hustler Magazine Inc.,* 867 F.2d 1188, 1192 (9th Cir.1989)). Accordingly, in analyzing a motion for judgment on the pleadings, a court accepts the non-moving party's material allegations as true and construes them in the light most favorable to the non-moving party. *Shwarz v. United States,* 234 F.3d 428, 435 (9th Cir.2000). Dismissal is proper if the claim lacks a "cognizable legal theory" or "sufficient facts alleged under a cognizable legal theory." *Balistreri v. Pacifica Police Dep't,* 901 F.2d 696, 699 (9th Cir.1988). In pleading sufficient facts, a party must proffer "enough facts to state a claim to relief that is plausible on its face." *Bell Atl. Corp.,* 127 S.Ct. at 1974.

In the instant action, Plaintiffs bring claims for: (1) trademark infringement in violation of the Lanham Act, 15 U.S.C. § 1125(a)(1) (A); and (2) unfair competition/ false or misleading advertising in violation of the Lanham Act, 15 U.S.C. § 1125(a)(1)(B).

***5** The Lanham Act creates liability for "any person who, on or in connection with any goods or services ... uses in commerce any word, term, name, symbol, or device, or any combination therefore, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which (A) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection or association of such person with another person ... or (B) in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person's goods, services or commercial activities." 15 U.S.C. § 1125(a)(1). A defendant is not liable for "nominative fair use" of a plaintiff's mark. *Yeager v. Cingular Wireless LLC,* No. 07–2517, 2008 U.S. Dist. LEXIS 46449, at *16–17 (E.D. Cal. June 12, 2008). To establish fair use, a defendant must show that: (1) the product or service in question is one not readily identifiable without the use of the trademark: (2) the defendant used only so much of the mark or marks as necessary to identify the product or service; and (3) the defendant did nothing that would, in conjunction with the mark, suggest sponsorship or endorsement by the trademark holder. *Id.* at *17.

Here, Defendants claim that their use of "Onebox" and "eFax" on their websites is "classic fair use." (Defs.' Mot. 12–13.) Plaintiffs argue that Defendants' use is not fair use because their service is readily identifiable without the use of their marks, and that Defendants' use of their marks suggests to consumers that Defendants may be affiliated with eFax® or with Plaintiffs. The Court finds that Defendants' assertion of a fair use defense in a motion to dismiss is premature. *See Yeager,* 2008 U.S. Dist. LEXIS 46449, at *18–*19 (holding that "defendant's assertion that the nominative fair use defense applies is premature. Further, defendant has failed to cite any case where, on a motion to dismiss, a court has dismissed a claim based upon the nominative fair use"). Likewise, Defendants' contention that Plaintiffs' marks are merely descriptive or generic is also premature, as whether a term is descriptive or generic is a question of fact. *Comm. for Idaho's High Desert v. Yost,* 92 F.3d 814, 821 (9th Cir.1996); *In re Northland Aluminum Prods.,* 777 F.2d 1556, 1559 (Fed.Cir.1985). Accordingly, the Court DENIES Defendants' Motion to Dismiss pursuant to Rule 12(c).

III. *CONCLUSION*

For the foregoing reasons, the Court DENIES Defendants' Motion to Dismiss and Strike.

IT IS SO ORDERED.

All Citations

Not Reported in F.Supp.2d, 2009 WL 10290698

Footnotes

1 Defendants entitled their Motion "Renewed Motion" because they previously filed a motion to dismiss and strike but withdrew it before the Court ruled on it. (Defs.' Not. ¶ 3.)

EXHIBIT 5

KeyCite Yellow Flag - Negative Treatment
Declined to Follow by LG Electronics U.S.A., Inc. v. Whirlpool Corp., N.D.Ill., August 10, 2011

673 F.Supp.2d 630
United States District Court,
N.D. Illinois,
Eastern Division.

MORNINGWARE, INC., Plaintiff,
v.
HEARTHWARE HOME PRODUCTS, INC., Defendant.

No. 09 CV 4348.
|
Nov. 16, 2009.

Synopsis
Background: Counter-top electric stove manufacturer brought action against competitor, alleging violations of Lanham Act and state law claims of unfair competition and commercial disparagement relating to competitor's purchase of manufacturer's trademark for search engine advertisement program. Competitor moved to dismiss for failure to state a claim.

Holdings: The District Court, Amy J. St. Eve, J., held that:

[1] manufacturer stated "use in commerce" claim under Lanham Act;

[2] manufacturer sufficiently alleged potential for consumer confusion;

[3] manufacturer sufficiently stated a claim for product disparagement pursuant to Lanham Act; and

[4] manufacturer sufficiently stated claim of commercial disparagement under Illinois law.

Motion denied.

West Headnotes (12)

[1] **Trademarks**
Complaint or Petition

Allegations that counter-top electric oven manufacturer owned the "Morningware" trademark, and that competitor's actions violated manufacturer's trademark, were sufficient to plead a protectible interest in such trademark.

Cases that cite this headnote

[2] **Trademarks**
Internet use

Trademarks
Infringement

Counter-top electric oven manufacturer stated "use in commerce" of manufacturer's trademark "in connection with the sale, offering for sale, distribution, or advertising of goods and services," as required for trademark infringement claim under Lanham Act, on allegations that competitor purchased manufacturer's trademark through a search engine's advertisement program. Lanham Act, § 43(a)(1), 15 U.S.C.A. § 1125(a)(1).

Cases that cite this headnote

[3] **Trademarks**
Infringement

Allegations that competitor used counter-top electric oven manufacturer's trademark, or variations thereof, as a keyword for use in search engine advertisement program, and that if a user searched for manufacturer's trademark in such search engine competitor's advertisement appeared, were factually sufficient to establish potential for initial interest confusion on the part of consumers, as required to state trademark infringement claim under Lanham Act. Lanham Act, § 43(a)(1), 15 U.S.C.A. § 1125(a)(1).

1 Cases that cite this headnote

[4] **Trademarks**
"Initial interest" confusion

Initial interest confusion, which is actionable under the Lanham Act, occurs when a customer is lured to a product by the similarity of the mark, even if the customer realizes the true source of the goods before the sale is consummated. Lanham Act, § 43(a)(1), 15 U.S.C.A. § 1125(a)(1).

Cases that cite this headnote

[5] **Trademarks**
Factors considered in general

In assessing the likelihood of consumer confusion in determining whether a competitor has infringed on another's trademark, the court considers: (1) the similarity between the marks in appearance and suggestion, (2) the similarity of the products, (3) the area and manner of concurrent use of the products, (4) the degree of care likely to be exercised by consumers, (5) the strength of the plaintiff's marks, (6) any evidence of actual confusion, and (7) the defendant's intent to palm off its goods as those of the plaintiff's. Lanham Act, § 43(a)(1), 15 U.S.C.A. § 1125(a)(1).

3 Cases that cite this headnote

[6] **Antitrust and Trade Regulation**
Advertising, Marketing, and Promotion

To establish a claim under the false or deceptive advertising prong of the Lanham Act, a plaintiff must prove: (1) a false statement of fact by the defendant in a commercial advertisement about its own or another's product; (2) the statement actually deceived or has the tendency to deceive a substantial segment of its audience; (3) the deception is material, in that it is likely to influence the purchasing decision; (4) the defendant caused its false statement to enter interstate commerce; and (5) the plaintiff has been or is likely to be injured as a result of the false statement, either by direct diversion of sales from itself to defendant or by a loss of goodwill associated with its products. Lanham Act, § 43(a)(1)(B), 15 U.S.C.A. § 1125(a)(1)(B).

5 Cases that cite this headnote

[7] **Antitrust and Trade Regulation**
Particular cases

Counter-top electric oven manufacturer's allegations that text of competitor's advertisement that appeared after a consumer searched for manufacturer's trademark would lead consumers to incorrectly believe manufacturer's products were inferior or fake were sufficient to state claim for product disparagement pursuant to Lanham Act. Lanham Act, § 43(a)(1)(B), 15 U.S.C.A. § 1125(a)(1)(B).

Cases that cite this headnote

[8] **Antitrust and Trade Regulation**
Nature and Elements

Claims for unfair competition and deceptive business practices brought under Illinois statutes are to be resolved according to the principles set forth under the Lanham Act. Lanham Act, § 43(a)(1), 15 U.S.C.A. § 1125(a)(1); S.H.A. 815 ILCS 510/2.

8 Cases that cite this headnote

[9] **Antitrust and Trade Regulation**
Exclusive and concurrent remedies
Antitrust and Trade Regulation
Exclusive and Concurrent Remedies or Laws

Under Illinois law, a common law unfair competition claim need not be separately addressed since it is codified by the Deceptive Trade Practices Act. S.H.A. 815 ILCS 510/2.

2 Cases that cite this headnote

[10] **Libel and Slander**

Actionable words or conduct relating to quality or value

Counter-top electric oven manufacturer's allegation that competitor's statement in its "Why Buy an Imitation?" advertisement disparaged manufacturer's products by implying that its products were fakes or imitations, and therefore inferior in quality, was sufficient to state a claim of commercial disparagement under Illinois law.

2 Cases that cite this headnote

[11] **Libel and Slander**
Actionable words or conduct relating to quality or value
Libel and Slander
Falsity

To state a cause of action for commercial disparagement under Illinois law, plaintiff must show that defendants made false and demeaning statements regarding the quality of plaintiff's goods and services.

2 Cases that cite this headnote

[12] **Trademarks**
Alphabetical listing

Morningware.

Cases that cite this headnote

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MEMORANDUM OPINION AND ORDER

AMY J. ST. EVE, District Judge:

For the following reasons, the Court denies Defendant Hearthware Home Products, Inc.'s ("Hearthware") Motion to Dismiss for Failure to State a Claim ("Motion to Dismiss").

BACKGROUND

Plaintiff Morningware, Inc. ("Morningware") filed its complaint against Hearthware on July 20, 2009 ("Complaint"). Plaintiff's Complaint alleges five causes of action: (i) unfair competition in violation of 15 U.S.C. § 1125(a); (ii) product disparagement in violation of 15 U.S.C. § 1125(a)(1)(B); (iii) deceptive trade practices in violation of 815 ILCS 510/2; (iv) common law unfair competition; and (v) commercial disparagement. (R. 1–1, Complaint.)

According to the Complaint, Morningware is a corporation that sells consumer products including counter-top electric ovens. *Id.* at ¶ 6. Morningware has employed the MORNINGWARE mark since 2002 in connection with its counter-top ovens. *Id.* at ¶ 7. Morningware sells its ovens in retail locations and promotes them through a website, *www.morningware.com. Id.* at ¶¶ 8–9. The MORNINGWARE mark has become associated with Morningware and identifies Morningware as the source of goods and services associated with the mark. *Id.* at ¶ 3.

Hearthware is Morningware's nearest competitor in the counter-top electric oven market. *Id.* at ¶ 17. Hearthware operates a website, *www. mynuwaveover. com. Id.* at ¶ 3. Hearthware participates in "pay-per-click" advertising offered by a variety of internet search engines, including Google, Yahoo, AOL and MSN. *Id.* at ¶¶ 1, 22. Internet search engines allow internet users to locate websites that correspond with keywords entered as search terms by users. *Id.* at ¶¶ 4, 22. An internet user enters a search term corresponding with the item in which they are interested and the search engine provider displays links related to that search term to the user in order of decreasing relevance as determined by the search engine provider. *Id.* at ¶¶ 22–23. As a result of this capability, search engines obtain a large percentage of their revenue from the sale of "contextual advertising" which permits companies to place their advertisements in front of consumers based on the search terms they enter. *Id.* at ¶ 23.

By way of example, Google offers a keyword-triggered program, "AdWords." *Id.* at ¶ 24. When an internet user enters a search term into Google's search engine, in addition to the typical search results provided to the user, the search engine also generates links to advertisers who have "purchased" or "bid on" the search term entered by the user. *Id.* Search engines refer to these links as "Sponsored Links" and they appear on the top and margins of the search result pages. *Id.* Morningware's ***633** Complaint further alleges that "the search result pages are designed so that the 'Sponsored Link' display is inconspicuous, confusing and ambiguous so it is not apparent who 'sponsors' these links and whether a sponsor of the link is associated in any way with the company that is the subject of the search." *Id.* Google's trademark policy states that "the advertisers themselves are responsible for the keywords and ad content that they choose to use," and Morningware therefore alleges that "Hearthware remains liable for its decision to use [Morningware]'s trademark as a keyword in Google's AdWords program." *Id.* at ¶ 26.

Hearthware has used Morningware's trademark, or variations of Morningware's trademark, as a keyword in Google's AdWords program. *Id.* at ¶ 27. If an internet user enters the term "Morningware" as a search term in Google, Hearthware's advertisement link appears before a link to Morningware's website. *Id.* The content of the link to Hearthware's website, www.mynuwaveoven.com, states, "The Real NuWave ® Oven Pro Why Buy an Imitation? 90 Day Gty." *Id.* at Ex. A. Morningware alleges that the topmost placement of Hearthware's advertisement on the search results page coupled with the "Why Buy an Imitation?" statement demonstrates a false claim of product superiority over Morningware's products, and that this misleads and/or confuses consumers into "believing that [Morningware]'s products are inferior to Hearthware's because they are 'Imitations,' and thus fakes, of Hearthware's products, which they are not." *Id.* at ¶ 30.

Morningware also alleges that through the use of Morningware's trademarks, Hearthware seeks to "exploit the hard-earned goodwill of [Morningware] and its products and services." *Id.* at ¶ 31. Specifically, Hearthware's use of Morningware's trademarks coupled with its "Imitation" advertisement reflects Hearthware's intention to divert consumers from Morningware's website to Hearthware's website. *Id.* Hearthware's actions mislead and/or confuse consumers into falsely believing that Morningware sponsors Hearthware's own website and potential customers have visited Hearthware's website after entering the search term "Morningware" believing that Morningware counter-top electric ovens are available from Hearthware. *Id.* at ¶¶ 33–34. Hearthware's actions have damaged Morningware. *Id.* at ¶ 27.

On September 21, 2009, Hearthware filed its Motion to Dismiss requesting the Court to dismiss each of Morningware's five causes of action against Hearthware. (R. 42–1, Motion to Dismiss; R. 43–1, Memorandum of Law in Support of Motion to Dismiss ("Memorandum").)

LEGAL STANDARD

"A motion under Rule 12(b)(6) challenges the sufficiency of the complaint to state a claim upon which relief may be granted." *Hallinan v. Fraternal Order of Police of Chicago Lodge No. 7,* 570 F.3d 811, 820 (7th Cir.2009). Pursuant to Rule 8(a)(2), a complaint must include "a short and plain statement of the claim showing that the pleader is entitled to relief." Fed.R.Civ.P. 8(a) (2). As the Seventh Circuit recently explained, this "[r]ule reflects a liberal notice pleading regime, which is intended to 'focus litigation on the merits of a claim' rather than on technicalities that might keep plaintiffs out of court." *Brooks v. Ross,* 578 F.3d 574, 580 (7th Cir.2009) (quoting *Swierkiewicz v. Sorema N.A.,* 534 U.S. 506, 514, 122 S.Ct. 992, 152 L.Ed.2d 1 (2002)). This short and plain statement must "give the defendant fair notice of what the claim is and the grounds upon which it rests." ***634** *Bell Atlantic v. Twombly,* 550 U.S. 544, 555, 127 S.Ct. 1955, 167 L.Ed.2d 929 (2007) (quoting *Conley v. Gibson,* 355 U.S. 41, 47, 78 S.Ct. 99, 2 L.Ed.2d 80 (1957)).

Under the federal notice pleading standards, a plaintiff's "factual allegations must be enough to raise a right to relief above the speculative level." *Twombly,* 550 U.S. at 555, 127 S.Ct. 1955. Put differently, a "complaint must contain sufficient factual matter, accepted as true, to 'state a claim to relief that is plausible on its face.' " *Ashcroft v. Iqbal,* 556U.S. 662, 129 S.Ct. 1937, 1949, 173 L.Ed.2d 868 (2009) (quoting *Twombly,* 550 U.S. at 570, 127 S.Ct. 1955); *see also Limestone Dev. Corp. v. Village of Lemont, Ill.,* 520 F.3d 797, 803 (7th Cir.2008) (amount of factual allegations required to state a plausible claim for relief depends on complexity of legal theory). "[W]hen ruling on a defendant's motion to dismiss, a judge must accept as true all of the factual allegations contained in the complaint." *Erickson v. Pardus,* 551 U.S. 89, 127 S.Ct. 2197, 2200, 167 L.Ed.2d 1081 (2007).

ANALYSIS

I. Lanham Act–False Designation of Origin

"In order to succeed on [its] Lanham Act claim, Plaintiff must establish: (1) that [Plaintiff] owns a protectible trademark, and (2) that use of this mark by [Defendant] is likely to cause confusion among consumers." *Segal v. Geisha NYC LLC,* 517 F.3d 501, 506 (7th Cir.2008) (citing 15 U.S.C. § 1125). The Lanham Act states:

> (a) Civil Action
>
> (1) Any person who, on or in connection with any goods or services ... uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which—
>
> (A) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person, or
>
> (B) in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person's goods, services, or commercial activities, shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act.

15 U.S.C. § 1125(a)(1).

A. Protectible Trademark

[1] Hearthware presents no arguments to establish that Morningware has not sufficiently alleged ownership in a protectible trademark. Morningware's Complaint alleges that "[Morningware] has used the MORNINGWARE mark since at least 2002 in the United States in connection with counter-top electric ovens," that "as a result of [Morningware]'s extensive and continuous use of the MORNINGWARE mark, it has become, and continues to be a valuable property right of [Morningware]," and that Hearthware's actions violate Morningware's trademark(s). (R. 1–1, Complaint.) These allegations are sufficient to withstand a motion to dismiss. *See, e.g., Vulcan Golf, LLC v. Google Inc.,* 552 F.Supp.2d 752, 762–766 (N.D.Ill.2008) (holding that plaintiff's allegations that plaintiff owns the "Vulcan Gulf" trademark and the "Vulcan Golf" tradename and that *vulcanogolf.com* violates plaintiff's trademark on that name are sufficient to establish a protectible interest at the motion to dismiss stage).

*635 B. Use in Commerce

In the present motion, Hearthware asserts that Morningware cannot meet the second element of its false designation of origin trademark infringement claim. Specifically, Hearthware argues that "[Hearthware]'s purchase of the keyword 'morningware' is not a use in commerce as required and defined by the Lanham Act" because "Hearthware never placed that term on any product, good, or service, or used it in any way that would indicate source or origin." (R. 43–1, Memorandum, p. 6.) There is no controlling Seventh Circuit authority governing whether the purchase of a trademarked term through a search engine's advertisement program constitutes a "use" pursuant to the Lanham Act. *See, e.g., Int'l Profit Assocs. v. Paisola,* 461 F.Supp.2d 672, 677 (N.D.Ill.2006) ("The law in the Seventh Circuit is silent on whether the use of a trademark as a keyword in an online search program such as Google's AdWords is a use 'in commerce' under the Lanham Act as required to establish a claim, but other courts have determined that purchasing a trademarked term as a 'keyword' for Google AdWords program meets the Lanham Act's use requirement.")

[2] The parties spend a great deal of their Motion to Dismiss briefing disputing the holding of *Rescuecom,* a non-controlling decision by the Second Circuit. The defendant in the *Rescuecom* case was the search engine provider, as opposed to the plaintiff's competitor as in the present case. Notwithstanding this factual discrepancy, the Second Circuit's analysis and holding, which accord with the analyses of the majority of courts that have ruled on similar issues, are applicable and persuasive. In holding that the plaintiff adequately pled a Lanham Act violation and established likelihood of confusion, the Second Circuit stated:

> Rescuecom has alleged that [Google's use of Rescuecom's trademark in its AdWords program causes likelihood of confusion], in that would-be purchasers (or explorers) of its services who search for its website on Google are misleadingly directed to the ads and websites of its competitors in a manner which leads them to believe mistakenly that these ads or websites are sponsored by, or affiliated with Rescuecom. This is particularly so, Rescuecom alleges, when the advertiser's link appears in a horizontal band at the top of the list of search results in a manner which makes it appear to be the most relevant search result and not an advertisement. What Rescuecom alleges is that by the manner of Google's display of sponsored links of competing brands in response to a search for Rescuecom's brand name (which fails adequately to identify the sponsored link as an advertisement, rather than a relevant search result), Google creates a likelihood of consumer confusion as to trademarks. If the searcher sees a different brand name as the top entry in response to the search for 'Rescuecom,' the searcher is likely to believe mistakenly that the different name which appears is affiliated with the brand name sought in the search and will not suspect, because the fact is not adequately signaled by Google's presentation, that this is not the most relevant response to the search. Whether Google's actual practice is in fact benign or confusing is not for us to judge at this time. We consider at the 12(b)(6) stage only what is alleged in the Complaint.

Rescuecom Corp. v. Google, Inc., 562 F.3d 123, 130–31 (2d Cir.2009).

Moreover, a review of case law outside of the Seventh Circuit reveals that a majority of courts have found that actions such as those taken by Hearthware in ***636** purchasing Morningware's trademark as a search term constitute a Lanham Act "use." *See, e.g, id.* (holding that allegations establishing display, offer and sale of plaintiff's trademark by Google to advertisers established a "use in commerce" under the Lanham Act sufficient to survive a motion to dismiss); *J.G. Wentworth, S.S.C. Ltd. P'ship v. Settlement Funding LLC,* 2007 WL 30115, 2007 U.S. Dist. LEXIS 288 (E.D.Pa. Jan. 4, 2007) (finding that a competitor's use of company's name as a keyword under an advertising program offered by an internet search engine constituted a "use" under the Lanham Act); *Boston Duck Tours, LP v. Super Duck Tours, LLC,* 527 F.Supp.2d 205, 207 (D.Mass.2007) ("Because sponsored linking necessarily entails the 'use' of the plaintiff's mark as part of a mechanism of advertising, it is 'use' for Lanham Act purpose") (reversed on other grounds); *Buying for the Home, LLC v. Humble Abode, LLC,* 459 F.Supp.2d 310 (D.N.J.2006) (holding that a competitor's action in causing a sponsored ad to appear next to the results of an online search engine's search results using plaintiff's trademark constituted a "use" under the Lanham Act). Indeed, while not explicitly ruling on the issue presented here, at least one district court in this circuit has recognized that the term "use" under the Lanham Act "has been interpreted broadly in other cases involving the internet and domain names." *Vulcan Golf, LLC v. Google Inc.,* 552 F.Supp.2d 752, 769 (N.D.Ill.2008) (declining to dismiss case pursuant to 12(b) (6) motion where complaint sufficiently pled facts to establish that defendant's registering of domain names that were the same as or substantially similar to plaintiff's trademarks was a "use in commerce" under the Lanham Act). Like the court in *Vulcan Golf,* here the Court "simply cannot make a definitive ruling on the 'use' issue without engaging in fact-finding, which is inappropriate at this stage of the litigation." *See id.*

C. Likelihood of Confusion

[3] Hearthware also argues that, even if Morningware meets the use in commerce element, Morningware's claim fails because "no reasonable factfinder would find a likelihood of confusion under the alleged facts." (R. 43–1, Memorandum, p. 6.) Hearthware further contends that "[t]he mere purchase of keywords for use in internet search engine sponsored links programs does not cause consumer confusion." *Id.* Morningware, however, has alleged sufficient facts in its Complaint establishing the potential for initial interest confusion on the part of consumers.

[4] **[5]** "Initial interest confusion, which is actionable under the Lanham Act, occurs when a customer is lured to a product by the similarity of the mark, even if the customer realizes the true source of the goods before the sale is consummated." *Promatek Indus., Ltd. v. Equitrac Corp.,* 300 F.3d 808, 812 (7th Cir.2002) (citing *Dorr–Oliver, Inc. v. Fluid–Quip, Inc.,* 94 F.3d 376, 382 (7th Cir.1996)). "In assessing the likelihood of consumer confusion, we consider: (1) the similarity between the marks in appearance and suggestion, (2) the similarity of the products, (3) the area and manner of concurrent use of the products, (4) the degree of care likely to be exercised by consumers, (5) the strength of the plaintiff's marks, (6) any evidence of actual confusion, and (7) the defendant's intent to palm off its goods as those of the plaintiff's." *Id.* at 812. Courts have recognized that "the 'likelihood of confusion' is a fact-specific inquiry best left for decision after discovery." *Vulcan Golf, LLC,* 552 F.Supp.2d at 769 (N.D.Ill.2008).

In *Promatek,* a competitor of plaintiff Promatek —Equitrac—employed Promatek's ***637** trademarked terms as meta-tags in its website. The more often a term appears in the meta-tags of a web page, "the more likely it is that the web page will be 'hit' in a search for that keyword and the higher on the list of 'hits' the web page will appear." *Id.* at 811. The Seventh Circuit held that there was a likelihood of initial consumer confusion and reasoned as follows:

> [A]lthough consumers are not confused when they reach a competitor's website, there is nevertheless initial interest confusion. This is true in this case, because by Equitrac's placing the term Copitrack [Promatek's trademark] in its metatag, consumers are diverted to its website and Equitrac reaps the goodwill Promatek developed in the Copitrak mark. That consumers who are misled to Equitrac's website are only briefly confused is of little or no consequence. In fact, 'that confusion as to the source of a product or service is eventually dispelled does not eliminate the trademark infringement which has already occurred.' What is important is not the duration of the confusion, it is the misappropriation of Promatek's goodwill. Equitrac cannot unring the bell.... Consumers who are directed to Equitrac's webpage are likely to learn more about Equitrac and its products before beginning a new search for Promatek and Copitrak. Therefore, given the likelihood of initial consumer confusion, the district court was correct in finding Promatek could succeed on the merits.

Id. at 812–13.

Given the Seventh Circuit's ruling in *Promatek,* Morningware has sufficiently alleged initial interest confusion. Morningware alleges that "Hearthware has used [Morningware]'s trademark, or variations thereof, as a keyword for use in Google's AdWords program," that if a user searches for the term "morningware" in Google, Hearthware's advertisement appears, and that the website advertisement "misleads and/or confuses consumers." (R. 1–1, Complaint, ¶¶ 27–37.) Morningware has thus sufficiently pled initial interest confusion. *See Int'l Profit Assocs. v. Paisola,* 461 F.Supp.2d 672, 676–77 (N.D.Ill.2006) (analyzing plaintiff's likelihood of success on the merits after the filing of a motion for preliminary injunction based on defendant's incorporation of plaintiff's trademarks into search terms to lead users to defendant's website, the Court held that plaintiff "established through affidavits and attached materials that defendants are using terms trademarked by [plaintiff] as search terms in Google's AdWords program in a manner likely to cause confusion.")

The cases relied on by Hearthware in its Motion to Dismiss are inapposite. First, *U–Haul Int'l, Inc. v. WhenU.com, Inc.,* 279 F.Supp.2d 723, 728 (E.D.Va.2003), does not specifically address whether a plaintiff adequately pled consumer confusion. Instead, the court held that, in cases of comparative advertising, " 'use' is not established merely because trademarks are simultaneously visible to a consumer." *Id.* at 728. Moreover, contrary to the facts of the present case, the Court's analysis in *U–Haul* resulted, in part, from allegations that the allegedly infringing pop-up advertisements resulted from "software [that] resides in individual computers as a result of the invitation and consent of the individual computer user." *Id.*

Similar to the facts of this case, *J.G. Wentworth,* 2007 WL 30115, 2007 U.S. Dist. LEXIS 288 (E.D.Pa. Jan. 4, 2007), involved a plaintiff who alleged that defendant infringed on plaintiff's mark when defendant used plaintiff's corporate name as a keyword in the Google

AdWords program so that an internet search for those ***638** terms produced a sponsored link to defendant's website. The court found that no initial interest confusion occurred due to the "separate and distinct nature of the links created on any of the search results pages in question." *Id.* at *8, U.S. Dist. LEXIS 288 at *24. The court also found that "consumers have no opportunity to confuse defendant's services, goods, advertisement, links or websites for those of plaintiff." *Id.* The reasoning in *Promatek,* however, reveals that the Seventh Circuit has recognized that initial interest confusion can arise even if consumers who are misled to a website are only briefly confused. *See Promatek,* 300 F.3d 808, 812 (7th Cir.2002). As discussed above, Morningware alleges that given that Hearthware's advertisement does not mention Hearthware and the consumer who views the Hearthware advertisement searched for the term "Morningware," the advertisement could mislead consumer to believe that the link is associated with Hearthware. Accordingly, Morning sufficiently alleges initial interest confusion.

Morningware has sufficiently alleged a protectible trademark, use in commerce, and initial interest confusion pursuant to 15 U.S.C. § 1125(a)(1). Accordingly, the Court declines to dismiss Count I of the Complaint.

II. Lanham Act—Product Disparagement

[6] The Lanham Act provides, in relevant part, that any person who: "in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person's goods, services, or commercial activities, shall be liable in a civil action by any person who believes that he or she is likely to be damaged by such act." 15 U.S.C. § 1125(a)(1)(B). "To establish a claim under the false or deceptive advertising prong of ... the Lanham Act, a plaintiff must prove: (1) a false statement of fact by the defendant in a commercial advertisement about its own or another's product; (2) the statement actually deceived or has the tendency to deceive a substantial segment of its audience; (3) the deception is material, in that it is likely to influence the purchasing decision; (4) the defendant caused its false statement to enter interstate commerce; and (5) the plaintiff has been or is likely to be injured as a result of the false statement, either by direct diversion of sales from itself to defendant or by a loss of goodwill associated with its products." *Hot Wax, Inc. v. Turtle Wax, Inc.,* 191 F.3d 813, 820 (7th Cir.1999).

Hearthware argues that Morningware fails to state a product disparagement claim because the allegedly conclusory statement "Why Buy an Imitation?" in Hearthware's advertisement does not imply that Morningware's product is an imitation or fake, and therefore Hearthware has made no false or misleading statement. (R. 43–1, Memorandum, pp. 10–11.) Hearthware further argues that Morningware fails to plead sufficient facts to demonstrate that the advertisement "actually deceives, or is likely to deceive a substantial segment of the advertisement's audience." (R. 43–1, Memorandum, p. 11.)

In its Complaint, however, Morningware alleges that Hearthware's "Why Buy an Imitation?" statement "falsely asserts product superiority specifically over [Morningware]'s products," that Hearthware made the statement in commerce in the context of commercial advertising, that the statement misleads and confuses consumers into believing Morningware's products are inferior or fakes, which Morningware alleges they are not, that Hearthware intended the statement to divert ***639** consumers from the Morningware website to Hearthware's website, that Hearthware is injuring Morningware's goodwill and reputation, and that Morningware has suffered damages as a result of Hearthware's actions. (R. 1–1, Complaint, ¶¶ 27–37, 45–50.)

[7] By alleging that the text of Hearthware's advertisement that appears after a consumer has searched for the term "Morningware" will lead consumers to incorrectly believe Morningware's products are inferior or fake, Morningware has sufficiently pled is claim for product disparagement pursuant to 15 U.S.C. § 1125(a)(1)(B). *See, e.g., Foboha GmbH v. Gram Tech.,* 2008 WL 4619795, 2008 U.S. Dist. LEXIS 82933(N.D.Ill. Oct. 15, 2008) (motion to dismiss Lanham Act product disparagement claim denied where plaintiff sufficiently alleged that statement at issue was false or misleading). *See also Abbott Labs. v. Mead Johnson & Co.,* 971 F.2d 6, 13 (7th Cir.1992) (whether a statement is false or misleading under § 43(a) [15 U.S.C. § 1125(a)] is a question of fact). Accordingly, the Court declines to dismiss Count II of the Complaint.

III. State Law Claims

A. Illinois Deceptive Trade Practices Act and Common Law Unfair Competition

The third and fourth causes of actions in Morningware's Complaint are claims for deceptive trade practices pursuant to the Illinois Deceptive Trade Practices Act (Count III) and common law unfair competition (Count IV). In their briefing on the Motion to Dismiss, Morningware and Hearthware agree that the Court's analysis governing Morningware's Lanham Act claims also applies to these claims. (R. 43–1, Memorandum, p. 11; R. 63–1, Morningware's Memorandum of Law in Opposition to Hearthware's Motion to Dismiss ("Opposition"), p. 9.)

[8] [9] "Where a plaintiff's factual allegations under the Illinois Uniform Deceptive Trade Practices Act also form the basis for plaintiff's claim under the Lanham Act, the legal inquiry is the same under both statutes. Claims for unfair competition and deceptive business practices brought under Illinois statutes are to be resolved according to the principles set forth under the Lanham Act." *SB Designs v. Reebok Int'l, Ltd.,* 338 F.Supp.2d 904, 914 (N.D.Ill.2004) (citing *Gimix, Inc. v. JS & A Group, Inc.,* 699 F.2d 901, 908 (7th Cir.1983)). Furthermore, "[a] common law unfair competition claim need not be separately addressed since it is codified by the Deceptive Trade Practices Act." *MJ & Partners Restaurant Ltd. Pshp. v. Zadikoff,* 10 F.Supp.2d 922, 929 (N.D.Ill.1998). Accordingly, the Court's conclusion with respect to Morningware's Lanham Act claims dictates that Morningware has sufficiently pled Counts III and IV to withstand dismissal at this stage in the litigation.

B. Commercial Disparagement

[10] [11] "To state a cause of action [for commercial disparagement], [plaintiff] must show that defendants made false and demeaning statements regarding the quality of [defendants'] goods and services." *Schivarelli v. CBS, Inc.,* 333 Ill.App.3d 755, 767, 267 Ill.Dec. 321, 776 N.E.2d 693 (2002). Hearthware argues that Morningware has failed to state a claim for commercial disparagement under Illinois law because "Morningware has failed to demonstrate that Hearthware has disparaged Morningware's goods by false or misleading representations of fact, or that Hearthware has even made a representation of fact as to Morningware's goods" and because "Morningware has failed to make ***640** the requisite showing of malice to sustain this claim." (R. 43–1, Memorandum, p. 12.)[1] Morningware, however, sufficiently alleges that Hearthware's statement in its "Why Buy an Imitation?" advertisement disparages Morningware's products by implying that its products are "fakes" or imitations, and therefore "inferior in quality." (R. 1–1, Complaint, ¶¶ 63–64.) Indeed, Morningware specifically alleges that "the topmost placement of Hearthware's website ... in the search results for keywords "morningware" and "morning ware" coupled with the statement ... 'Why Buy an Imitation?' ... falsely asserts product superiority specifically over [Morningware]'s products, which misleads and/or confuses consumers into believing that [Morningware]'s products are inferior to Hearthware's because they are 'Imitations,' and thus fakes, of Hearthware's products, which they are not." *Id.* at ¶ 30 (emphasis omitted).

Moreover, it is unclear whether a claim for commercial disparagement under Illinois law requires a showing of malice as Hearthware argues. As reflected by the *Schivarelli* case, neither state nor federal cases regarding commercial disparagement under Illinois law subsequent to the 1995 case cited in Hearthware's brief appear to require a plaintiff to plead malice when alleging a claim of commercial disparagement. *See, e.g., DSC Logistics, Inc. v. Innovative Movements, Inc.,* 2004 WL 421977, 2004 U.S. Dist. LEXIS 1412 (N.D.Ill. Feb. 4, 2004) ("To state a claim for commercial disparagement, a plaintiff must allege that defendant made false and demeaning statements about the quality of plaintiff's goods or services.") (applying Illinois law); *Flanders Diamond USA, Inc. v. Nat'l Diamond Syndicate, Inc.,* 2002 WL 31681474, 2002 U.S. Dist. LEXIS 23129 (N.D.Ill. Nov. 27, 2002) ("commercial disparagement claim requires plaintiff to show that defendant made false and demeaning statements regarding plaintiff's goods and services") (applying Illinois law); *Donnelley Mktg. v. Sullivan,* 2002 WL 314631, 2002 U.S. Dist. LEXIS 3320 (N.D.Ill. Feb. 27, 2002) ("in order to claim disparagement, [plaintiff] must argue that the statements contained in [defendant]'s letter disparaged the quality of its services"); *Barry Harlem Corp. v. Kraff,* 273 Ill.App.3d 388, 396, 210 Ill.Dec. 101, 652 N.E.2d 1077 (1995) ("To state a cause of action [for commercial disparagement], plaintiff must show that defendant made false and demeaning statements regarding the quality of another's goods and services.").

Moreover, even if the Court were to find that Illinois law requires Morningware to plead malice, Hearthware posits in its Memorandum that its commercial disparagement claim is based on the same statements as its Lanham Act product disparagement claim. (R. 43–1, Memorandum, p. 12.) In its Complaint, in support of its claim for product disparagement pursuant to the Lanham Act, Morningware alleges that Hearthware's conduct in making the disparaging statements were "willful, wanton, reckless, and in total disregard for ***641** [Morningware]'s rights." (R. 1–1, Complaint, ¶ 49.) Accordingly, even if Illinois law requires an allegation of malice, Morningware's Complaint contains allegations sufficient to withstand a 12(b)(6) motion to dismiss. *See, e.g., Cohabaco Cigar Co. v. United States Tobacco Co.,* 1998 WL 773696, 1998 U.S. Dist. LEXIS 17472 (N.D.Ill. Oct. 29, 1998) ("We reject [defendant]'s assertion that [plaintiff] failed to plead malice [in support of its commercial disparagement claim]. Paragraph 99 of [plaintiff]'s complaint clearly alleges the actionable statements were made by [defendant] intentionally, wilfully, wantonly, recklessly and/or maliciously.").

Because Morningware has pled that Hearthware made a false and demeaning statement regarding Morningware's goods, the Court declines to dismiss Count V of the Complaint.

CONCLUSION

For the foregoing reasons, the Court denies Hearthware's Motion to Dismiss.

All Citations

673 F.Supp.2d 630

Footnotes

1 As other courts in this district have noted, "[a]lthough there is some dispute over whether a claim for commercial disparagement remains viable in Illinois, the court assumes for purposes of this motion that a disparagement claim is still actionable." *Conseco Group Risk Mgmt. Co. v. Ahrens Fin. Sys.*, 2001 WL 219627, 2001 U.S. Dist. LEXIS 2306 (N.D.Ill. Mar. 5, 2001). *See also Cohabaco Cigar Co. v. United States Tobacco Co.,* 1998 WL 773696, 1998 U.S. Dist. LEXIS 17472 (N.D.Ill. Oct. 29, 1998) (recognizing a claim for commercial disparagement under Illinois law as a viable claim because several Illinois appellate divisions recognize the claim and the Illinois Supreme Court has yet to rule on the viability of the claim).

EXHIBIT 6

UNITED STATES DISTRICT COURT

CENTRAL DISTRICT OF CALIFORNIA

PARTNERS FOR HEALTH AND HOME, L.P., Plaintiff, v. SEUNG WEE YANG, et al. Defendant.	No. CV 09-07849 CBM (RZx) ORDER GRANTING PLAINTIFF'S MOTION FOR PRELIMINARY INJUNCTION

The matter before this Court is Plaintiff Partners for Health and Home, L.P.'s ("Plaintiff") Motion for Preliminary Injunction ("Plaintiff's Motion").

FACTUAL AND PROCEDURAL BACKGROUND

Plaintiff Partners for Health and Home, L.P. initiated this action against Defendants: (1) Seung Wee Yang, an individual and doing business as Pearl Life Cookware; and (2) STP America, Inc., a California corporation, on October 28, 2009, alleging four claims pursuant to the Lanham Act and the Anticybersquatting Consumer Protection Act. [Docket No. 1.]

I. The Allegedly Infringing Activities

Plaintiff contends that Defendants have infringed on Plaintiff's federally registered PERMA-LIFE trademark for stainless steel cookware by: (1) using the confusingly similar Pearl Life brand name for their competing stainless steel cookware; and (2) using the PERMA-LIFE trademark in internet domain names, as internet website metatags,[1] as video tags for videos posted on the internet, as visible text on the Defendant's website, in a photograph posted on the internet by Defendants, and as internet search engine advertising key words.[2] (Pl's Brief at 1:4-12). Plaintiff argues that it is entitled to a preliminary injunction related to Defendants' conduct of (1) registering a internet domain name using Plaintiff's mark ("cybersquatting"); (2) using Plaintiff's mark as metatags on internet websites; (3) using Plaintiff's mark as visible tags on YouTube[3] videos posted to the internet; (4) using Plaintiff's mark in a photograph currently posted on a website owned by the Defendants; (5) using Plaintiff's mark as visible text on a website owned by the Defendants; and (6) using Plaintiff's mark as an internet advertising term. (Pl's Brief at 1:4-12).

Plaintiff filed the instant Motion on June 11, 2010. [Doc. No. 23]. Defendants oppose the Motion. [Doc. No. 29]. On July 12, 2010, this Court held a hearing on this Motion. Plaintiff subsequently filed Supplemental Evidence in Support of Motion for Preliminary Injunction. [Doc. No. 32].

II. Plaintiff's Trademark

According to Plaintiff, Plaintiff's principal, Ki Won Shim ("Shim"), purchased the rights to the PERMA-LIFE trademark and to U.S. Trademark Registration No. 2,029,777 (the "777 Trademark') in 2002 from her business

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[1] "Metatags are HTML code intended to describe the contents of the web site." *Brookfield Commc'ns, Inc. v. West Coast Entm't Corp.*, 174. F.3d 1036, 1045 (9th Cir. 1999). There are different types of metatags, including "description" and "keyword" metatags. *Id.* "[D]escription metatags are intended to describe the website." *Id.* Keyword metatags (used in "keying") "contain keywords related to the contents of the website." *Id.* Plaintiff does not specify the type of metatag it contends that Defendants are using.

[2] "'Keying' is a practice that allows advertisers to target individuals with certain interests by linking advertisements to pre-identified terms. *Playboy Enterprises, Inc. v. Netscape Communications Corp.*, 354 F.3d 1020, 1022 (9th Cir. 2004). Google's AdWords program allows entities to purchase advertising space connected with specific words, known as 'keywords.' Keywords are then used to drive internet users to the purchaser's website." *Fin. Express LLC v. Nowcom Corp.*, 564 F. Supp. 2d 1160, 1166 n.3 (C.D. Cal. 2008) (Carney, J.).

[3] "YouTube is a publicly-available website where persons can post video clips for viewing by the general public." *J.C. v. Beverly Hills Unified Sch. Dist.*, 2010 U.S. Dist. LEXIS 54481 at *4 (C.D. Cal. May 6, 2010) (Wilson, J.).

partner, Domenico Santorelli. (Pl's Brief at 2:11-13). This trademark later expired through "inadvertence of prior trademark counsel." (Pl's Brief at 2:20-21). In 2009, Shim obtained a new trademark registration for the mark PERMA-LIFE, Registration No. 3,564,113 (the "113 Trademark"). (Pl's Brief at 2:22-23). In 2009, Shim assigned both the registrations, including the right to sue for past infringement, to Plaintiff. (Pl's Reply, Shim Decl. Ex. 3).

Defendants contend that Plaintiff failed to establish that it is entitled to enforce any rights under the alleged trademark. (Def's Opp. at 2:27-28). Defendants argue that in 2006 Shim was not selling cookware under the "PERMA-LIFE" trade name but rather under the name "Smartware." (Def's Opp. at 5:14-17). Accordingly, the 777 Trademark should be deemed abandoned as of July 2005. (Def's Opp. at 6:6-8). Both parties agree that Shim applied for a new trademark and received the 113 Trademark in 2009. (Pl's Brief at 20-23; Def's Opp. at 6:17-19).

LEGAL STANDARD

A preliminary injunction is a drastic and extraordinary remedy that should not be granted unless the movant carries its burden of persuasion by a clear showing. *Mazurek v. Armstrong*, 520 U.S. 968, 972 (1997). A moving party must therefore establish: (1) the likelihood the moving party will succeed on the merits of its claim; (2) the possibility of irreparable injury to the moving party if relief is not granted; (3) the extent to which the balance of hardships tips in favor of one party or the other; and, in certain cases, (4) whether the public interest will be advanced by granting preliminary relief. *Miller v. Cal. Pac. Med. Ctr.*, 19 F.3d 449, 456 (9th Cir. 1994); *see also Save Our Sonoran, Inc. v. Flowers*, 408 F.3d 1113, 1120 (9th Cir. 2005).

A district court may issue a preliminary injunction if the moving party establishes either: (1) a combination of probable success on the merits and the possibility of irreparable harm; or (2) the (a) existence of serious questions going to the merits; (b) a demonstration that there is at least a fair chance the movant will prevail; and (c) a balance of hardships that tips sharply in the movant's favor. *Save Our Sonoran, Inc.*, 408 F.3d at 1120. "These two formulations represent two points on a sliding scale in which the required degree of irreparable harm increases as the probability of success decreases." *Prudential Real Estate Affiliates, Inc. v. PPR Realty, Inc.*, 204 F.3d 867, 874 (9th Cir. 2000) (citing *Arcamuzi v. Continental Air Lines, Inc.*, 819 F.2d 935, 937 (9th Cir. 1987); *Tillamook County v. U.S. Army Corps of Engineers*, 288 F.3d 1140, 1143 (9th Cir. 2002) ("not alternative tests but, instead, are extremes of a single continuum").

DISCUSSION

I. Likelihood of Success on the Merits

To prevail on its trademark infringement claim, a trademark holder must prove "[(A)] that it has a protectable ownership interest in the mark; and [(B)] that the [alleged infringer's] use of the mark is likely to cause consumer confusion, thereby infringing upon [the trademark holder's] rights to the mark." *Dep't of Parks & Recreation v. Bazaar Del Mundo Inc.*, 448 F.3d 1118, 1124 (9th Cir. 2006) (citing *Levi Strauss & Co. v. Blue Bell, Inc.*, 778 F.2d 1352, 1354 (1985) (en banc)). Liability attaches to those who "use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion or to cause mistake, or to deceive." 15 U.S.C. § 1114(1).

A. <u>Ownership and Validity of the PERMA-LIFE Mark</u>

Registration of a mark is "prima facie evidence of the validity of the registered mark[,] . . . the registrant's ownership of the mark, and . . . [the] exclusive right to use the registered mark in commerce or in connection with the goods or services specified in the registration." 15 U.S.C. § 1115(a). Under the Lanham Act, a federally-registered trademark is deemed abandoned "when its use has been discontinued with intent not to resume such use" or when the owner of the mark takes actions to render it generic. 15 U.S.C. § 1127(1)-(2). The burden of proof is on the party seeking to show abandonment, which must be shown by clear and convincing evidence. *Cerveceria Centroamericana, S.A. v. Cerveceria India, Inc.*, 892 F.2d 1021, 1025-26 (Fed. Cir. 1989).

Plaintiff provided evidence documenting its ownership of the 777 and 113 Trademarks. (Pl's Brief, Voelzke Decl. Exs. 3, 5). Shim declares that she has "promoted and sold PERMA-LIFE cookware continuously since 1986." (Shim Decl. ¶ 6). Attached to Shim's declaration are documents establishing the assignment to Plaintiff of the 777 and 113 Trademarks on October 22, 2009. (Pl's Reply, Shim Decl. Ex. 3). Defendants fail to provide any evidence supporting their allegations that Plaintiff abandoned the Trademark. Thus, Defendants have not met their burden to show abandonment of the Trademark by clear and convincing evidence.

B. Use "In Commerce"

The Lanham Act defines "use in commerce" as "the bona fide use of a mark in the ordinary course of trade." 15 U.S.C. § 1127. The Ninth Circuit has found that internet conduct may constitute "use in commerce." *Brookfield Commc'ns v. W. Coast Entm't Corp.*, 174 F.3d 1036, 1053 (9th Cir. 1999); *Playboy Enters., Inc. v. Netscape Commc'ns Corp.*, 354 F.3d 1020, 1024 (9th Cir. 2004) (explaining that the defendant used the marks in commerce by engaging in keying); *Fin. Express LLC v. Nowcom Corp.*, 564 F. Supp. 2d 1160, 1173 (C.D. Cal. 2008) (Carney, J.); 3-56 The Law of Advertising §56.03[4] (2009) (noting that "[t]he majority of jurisdictions hold that using another's trademark to generate advertising is a 'use in commerce'").

C. Likelihood of Confusion

"The core element of trademark infringement is the likelihood of confusion, i.e., whether the similarity of the marks is likely to confuse customers about the source of the products." *Official Airline Guides v. Goss*, 6 F.3d 1385, 1391 (9th Cir. 1993) (quoting *E. & J. Gallo Winery v. Gallo Cattle Co.*, 967 F.2d 1280, 1290 (9th Cir. 1992)) (internal quotation marks omitted).

Plaintiff argues that Defendants' use of its mark is likely to cause initial interest confusion. "Initial interest confusion is customer confusion that creates initial interest in a competitor's product. Although dispelled before an actual sale occurs, initial interest confusion impermissibly capitalizes on the goodwill associated with a mark and is therefore actionable trademark infringement." *Playboy*, 354 F.3d at 1025. To determine whether a plaintiff's use of a mark causes initial interest confusion, courts within the Ninth Circuit apply an eight-factor test to evaluate the likelihood of confusion. *AMF Inc. v. Sleekcraft Boats*, 599 F.2d 341, 348-49 (9th Cir. 1979). The relevant factors are: (i) the strength of the mark; (ii) the proximity or relatedness of the goods; (iii) the similarity of the marks; (iv) evidence of actual confusion; (v) marketing channels used; (vi) the type of goods and degree of care likely to be exercised by the purchaser; (vii) the alleged infringer's intent in selecting the mark; and (viii) the likelihood of expansion of the product lines (collectively, the "*Sleekcraft* factors"). *Id.* "The factors should not be rigidly weighed." *Dreamwerks Prod. Group, Inc. v. SKG Studio*, 142 F.3d 1127, 1129 (9th Cir. 1998). In cases involving the internet, "the three most important *Sleekcraft* factors are (1) the similarity of the marks, (2) the relatedness of the goods or services, and (3) the simultaneous use of the Web as a marketing channel." *GoTo.com, Inc. v. Walt Disney Co.*, 202 F.3d 1199, 1205 (9th Cir. 2000) (internal citations and quotations omitted).

I. Similarity of the Marks

"[W]here the two marks are entirely dissimilar, there is no likelihood of confusion." *Perfumebay.com, Inc. v. eBay, Inc.*, 506 F.3d 1165, 1174 (9th Cir. 2007) (quoting *Brookfield*, 174 F.3d at 1054). To determine the similarity of the marks, courts consider the sight, sound, and meaning of the parties' marks.

Sleekcraft, 599 F.2d at 351. "In comparing the parties' marks, the court must focus on how each of the marks [is] perceived by the ordinary consumer in the marketplace, taking into account similarities in the marks' appearance and pronunciation as well as their respective definitions." *Sutter Home Winery, Inc. v. Madrona Vineyards, L.P.*, 2005 WL 701599, at *5 (N.D. Cal. Mar. 23, 2005) (Patel, J.).

According to Plaintiff, "Defendants are using Plaintiff's PERMA-LIFE trademark exactly, as well as the near-exact imitations of "perma life," "permalife," and "pperma_life." (Pl's Brief at 5:24-26; *see also* Voelzke Decl., Exs. 6, 19 (Defendants using terms "perma life" and "perma-life" in its advertising)). These variations of the term PERMA-LIFE are similar enough that they are likely to confuse consumers.

II. Relatedness of the Goods and Services

"Related goods are generally more likely than unrelated goods to confuse the public as to the producers of the goods." *Brookfield*, 174 F.3d at 1055; 4 J. Thomas McCarthy, TRADEMARKS AND UNFAIR COMPETITION § 24.24 (4th ed. 2006) ("Goods are 'related' if consumers are likely to mistakenly think that the infringer's goods come from the same source as the senior user's goods or are sponsored or approved by the senior user.").

Both parties sell stainless steel pots and pans. (Pl's Brief at 6:1-2; *see also* Complaint ¶¶ 18, 21). Defendant Yang declares that he presently sells cookware under the name "316 PLC Health Cookware." (Yang Decl. ¶ 12). Thus, the Court concludes that the goods (stainless steel pots and pans) are still related.

III. Degree to Which the Parties' Marketing Channels Converge

Both parties utilize the internet "as a marketing and advertising facility, a factor that courts have consistently recognized as exacerbating the likelihood of confusion." *Brookfield*, 174 F.3d at 1057. Plaintiff contends that "Defendants used pearllife.com to sell its products until recently, and now use www.316plc.com as a marketing website." (Pl's Brief at 6:5-6). "Plaintiff uses http://www.partnerus.com as a marketing website." (Pl's Brief at 6:6-7). Both parties place videos on the internet to advertise their products. (Pl's Brief at 6:8). For example, each party uses the website YouTube as a marketing channel for their cookware. (Pl's Brief at 6:10-13; Voelzke Decl. Exs. 5, 6). Additionally, both parties market and sell products to the Korean-American community. (Complaint ¶¶ 18, 20). Thus, the Court concludes that the parties use similar marketing channels.

IV. Strength of the Mark

"The 'strength' of the trademark is evaluated in terms of its conceptual strength and commercial strength." *GoTo.com*, 202 F.3d at 1207. A "mark's strength can be measured in terms of its location along a continuum stretching from arbitrary, inherently strong marks, to suggestive marks, to descriptive marks, to generic, inherently weak marks." *Miss World (UK) Ltd. v. Mrs. America Pageants, Inc.*, 856 F.2d 1445, 1448 (9th Cir. 1988), *abrogated on other grounds by Levi*, 778 F.2d at 1355 (internal citations omitted). Arbitrary, fanciful, and suggestive marks are considered inherently distinctive and therefore "afforded the greatest protection, because their intrinsic nature serves to identify a particular source of a product." *Goss*, 6 F.3d at 1390. "Arbitrary and fanciful marks have no intrinsic connection to the product with which the mark is used; the former consists of words commonly used in the English language . . . ("Black & White" scotch whiskey), whereas the latter are wholly made-up terms . . . ("Clorox" bleach)." *Brookfield*, 174 F.3d at 1058 n.19 (citations omitted). The distinctiveness of a composite mark must be determined by evaluating the trademark as a whole, as it appears in the marketplace. *Goss*, 6 F.3d at 1392.

Plaintiff's mark, PERMA-LIFE, is an inherently distinctive, federally registered mark and, therefore, entitled to protection. *See Lois Sportswear, U.S.A.,* *Inc. v. Levi Straus & Co.*, 799 F.2d 867, 871 (9th Cir. 1986) (explaining that "registered trademarks are presumed to be distinctive and should be afforded the utmost protection"). Defendants, moreover, do not dispute the distinctiveness of Plaintiff's mark. Plaintiff's mark is inherently distinctive; therefore, the Court is not required to separately consider the mark's commercial strength.

V. <u>Degree of Care Exercised by the Consumer</u>

"In the Internet context, in particular, entering a website takes little effort – usually one click from a linked site or a search engine's list; thus, Web surfers are more likely to be confused as to the ownership of a web site than traditional patrons of a brick-and-mortar store would be of a store's ownership." *Brookfield*, 174 F.3d at 1057; *see also GoTo.com*, 202 F.3d at 1209 ("Navigating amongst web sites involves practically no effort whatsoever, and arguments that Web users exercise a great deal of care before clicking on hyperlinks are unconvincing.").

VI. <u>Defendant's Intent</u>

"[A]n intent to confuse customers is not required for a finding of trademark infringement." *Brookfield*, 174 F.3d at 1059. However, "[w]hen an alleged infringer knowingly adopts a mark similar to another's, courts will presume an intent to deceive the public." *Goss*, 6 F.3d at 1394.

Here, Plaintiff contends that Defendants knowingly used Plaintiff's mark in their internet advertising. According to Plaintiff, the parties are direct competitors, and by using the Plaintiff's mark in their advertising, Defendants are able to benefit from the goodwill associated with the mark. Plaintiff contends that Defendants are "undeterred by any legitimate connection to the Plaintiff or Plaintiff's registered PERMA-LIFE® cookware" and use the PERMA-LIFE trademark "as a marketing tool to attract business." (Pl's Brief at 1:15-18). Plaintiff has not provided direct evidence of Defendants' intent; however, Plaintiff has demonstrated that Defendants repeatedly used Plaintiff's mark in their advertising. Thus, Defendants intent to confuse customers is inferred.

VII. Evidence of Actual Confusion

Although "evidence that the use of the two marks has already led to confusion is persuasive proof that future confusion is likely," the absence of such evidence is not determinative. *GoTo.com*, 202 F.3d at 1208 (quoting *Sleekcraft*, 599 F.3d at 352). Moreover, actual confusion is not necessary to establish initial interest confusion. *See Brookfield*, 174 F.3d at 1064 (explaining that "[c]ustomers are not confused in the narrow sense" because they know they are purchasing from the defendant but "the fact that there is only initial consumer confusion does not alter the fact that the [defendant] would be misappropriating [the plaintiff's] goodwill."); *Dr. Seuss Enters., L.P. v. Penguin Books USA, Inc.*, 109 F.3d 1394, 1405 (9th Cir. 1997) (affirming a grant of a preliminary injunction despite the fact that there had been no actual confusion because the allegedly infringing product had been enjoined from distribution); *Storus Corp. v. Aroa Mktg., Inc.*, 2008 WL 449835, at *4 (N. D. Cal. Feb. 15, 2008) (Chesney, J.) (concluding that, "in the internet context, the wrongful act is the defendant's use of the plaintiff's mark to 'divert' consumers to a website that 'consumers know' is not [the plaintiff's] website."). The parties do not provide evidence of this factor.

VIII. Likelihood that the Parties will Expand their Product Lines

The parties compete with one another in the sale of cookware. (Complaint ¶¶ 21-23); *See GoTo.com*, 202 F.3d at 1209; *Brookfield*, 174 F.3d at 1060 ("The likelihood of expansion in product lines factor is relatively unimportant where two companies already compete to a significant extent."). The parties do not provide evidence of this factor. Therefore, the Court does not consider it.

IX. Infringing Activities

Plaintiff seeks a preliminary injunction related to six activities by the Defendants that allegedly infringe on the PERMA-LIFE trademark: (1) registering an internet domain name using the mark ("cybersquatting"); (2) using the mark as metatags on internet websites; (3) using the mark as visible tags on YouTube videos posted to the internet; (4) using the mark in a photograph currently posted on a website owned by the Defendants; (5) using the mark as visible text on a website owned by the Defendants; and (6) using the mark as an internet advertising term. Each of these activities is analyzed individually below.

1. Cybersquatting

Plaintiff alleges that Defendants registered two website domain names using Plaintiff's mark. Under the Anticybersquatting Consumer Protection Act ("ACPA"), Congress provided civil remedies for trademark holders seeking relief against parties infringing upon their marks in connection with website domain names. 15 U.S.C. § 1125(d).

To support a claim for cybersquatting under § 1125(d), a plaintiff must prove that the defendant:

(i) has a bad faith intent to profit from [a] mark . . .; and

(ii) registers, traffics in, or uses a domain name that - -

a. in the case of a mark that is distinctive at the time of registration of the domain name, is identical or confusingly similar to that mark;

b. in the case of a famous mark that is famous at the time of registration of the domain name, is identical or confusingly similar or dilutive of that mark; or

c. is a trademark, word, or name protected by reason of section 706 of Title 18 [the Red Cross] or section 220506 of Title 36 [the Olympics].

15 U.S.C. § 1125(d)(1)(A); *see also Bosley Med. Inst., Inc. v. Kremer*, 403 F.3d 672, 682 (9th Cir. 2005) ("[A] trademark owner asserting a claim under the ACPA must establish the following: (1) it has a valid trademark entitled to protection; (2) its mark is distinctive or famous; (3) the defendant's domain name is identical or confusingly similar to, or in the case of famous marks, dilutive of, the owner's

mark; and (4) the defendant used, registered, or trafficked in the domain name (5) with a bad faith intent to profit." (quoting *DaimlerChrysler*, 388 F.3d at 204 (internal quotations omitted).

A. Bad Faith Intent

Congress enumerated a non-exclusive list of nine factors to be considered in determining whether a person has a bad faith intent:

> (i) the trademark or other intellectual property rights of the person, if any, in the domain name;
>
> (ii) the extent to which the domain name consists of the legal name of the person or a name that is otherwise commonly used to identify the person;
>
> (iii) the person's prior use, if any, of the domain name in connection with the bona fide offering of any goods or services;
>
> (iv) the person's bona fide noncommercial or fair use of the mark in a site accessible under the domain name;
>
> (v) the person's intent to divert consumers from the mark owner's online location to a site accessible under the domain name that could harm the goodwill represented by the mark, either for commercial gain or with the intent to tarnish or disparage the mark, by creating a likelihood of confusion as to the source, affiliation, or endorsement of the site;
>
> (vi) the person's offer to transfer, sell, or otherwise assign the domain name to the mark owner or any third party for financial gain without having used, or having intent to use, the domain name in the bona fide offering of any goods or services, or the person's prior conduct indicating a pattern of such conduct;
>
> (vii) the person's provision of material and misleading false contact information when applying for the registration of the domain name, the person's intentional failure to maintain accurate contact information, or the person's prior conduct indicating a pattern of such conduct;
>
> (viii) the person's registration or acquisition of multiple domain names which the person knows are identical or confusingly similar to marks of others that are distinctive at the time of registration of such domain

names; or dilutive of famous marks of others that are famous at the time of registration of such domain names; without regard to the goods or services of the parties; and

(ix) the extent to which the mark incorporated in the person's domain name registration is or is not distinctive and famous within the meaning of subsection (c).

15. U.S.C. § 1125(d)(1)(B)(i).

Here, Defendants admit to registering the domain names "www.perma-life.co.kr" and "www.permalife.co.kr." (Pl's Brief, Voelzke Decl. Motion, Ex. 11). Defendants used "permalife.co.kr" as a website to advertise the sale of their competing Pearl Life cookware. (Pl's Brief at 7:13-16; Voelzke Decl., Ex. 12). Subsequently, Defendants attempted to sell the domain "permalife.co.kr." (Pl's Brief, Voelzke Decl., Ex. 11). Both the Defendants' use of the domain name to sell competing cookware and the attempt to sell the domain name are evidence of Defendants' bad faith. 15. U.S.C. § 1125(d)(1)(B)(i).

B. Similarity of the Domain Names

The next issue is the similarity of the domain names "www.perma-life.co.kr" and "www.permalife.co.kr" to the trademark "PERMA-LIFE." The test for confusion under the ACPA is narrower than the traditional multifactor likelihood test for trademark infringement. *Coca-Cola Co. v. Purdy*, 382 F.3d 774, 783 (8th Cir. 2004); *see also Super-Krete Int'l v. Sadier*, 2010 U.S. Dist. LEXIS 500900 at *11 (C.D. Cal. Apr. 22, 2010) (Fischer, J.) (holding that a minor variation in a domain name was confusingly similar to Plaintiff's registered trademark). A violation of the ACPA may be established by the domain name alone, with no reference to the website's content. *Id.* The domain names registered by Defendants, "www.perma-life.co.kr" and "www.permalife.co.kr," are identical or nearly identical to the PERMA-LIFE trademark.

The Court therefore concludes that Plaintiff has established a likelihood of prevailing on its claim of cybersquatting.

2. Metatags

Plaintiff alleges that Defendants have used Plaintiff's mark as metatags on their website. "A metatag is an indexing tool used by Internet search engines to determine which websites correspond to the search terms provided by a user." *Horphag Research Ltd., v. Garcia*, 475 F.3d 1029, 1033 n.3 (9th Cir. 2007). The "Lanham Act bars [a defendant] from including in its metatags any term confusingly similar with [a plaintiff's] mark." *Brookfield*, 174 F.3d at 1065. "Initial interest confusion can occur where a defendant includes a plaintiff's mark in 'metatags' found on the defendant's website, after which some of those consumers will select defendant's website from the list." *Storus Corp.*, 2007 U.S. Dist. LEXIS 11698 at *4 (concluding that, "in the internet context, the wrongful act is the defendant's use of the plaintiff's mark to 'divert' consumers to a website that 'consumers know' is not [the plaintiff's] website.").

Plaintiff argues that Defendants "used Plaintiff's PERMA-LIFE® trademark and colorable imitations thereof as metatags on their websites in order to attract consumer attention to those websites." (Pl's Brief at 8:19-22). Websites controlled by the Defendants, "perma-life.co.kr" and "permalife.co.kr," have used the term "permalife" as html[4] on the website.[5] (Pl's Brief; Voelzke Decl. Exs. 13, 15). Defendants do not specifically address the metatags issue in their Opposition.

The use of the metatag "permalife" is confusing to a consumer searching for "PERMA-LIFE cookware." Such a consumer may be confused into believing that Defendants' products are affiliated with PERMA-LIFE, or may end up purchasing cookware sold by the Defendants based on their initial search for the term PERMA-LIFE.

Thus, Plaintiff has provided evidence to support a likelihood of success on

[4] Computer data files on internet web pages are written in Hypertext Markup language ("html") which contain information such as text, pictures, sounds, audio and video recordings, and links to other web pages. *Brookfield,* 174 F.3d at 1044.
[5] Plaintiff submitted screen shots taken from Defendants' website using "permalife" as a metatag. (Pl's Brief; Voelzke Decl. Exs. 13, 15).

the merits regarding Defendants' use of Plaintiff's mark in metatags.

3. Visible Video Tags

The alleged misuse of a trademark on a YouTube video tag has not been addressed by the Ninth Circuit. The Ninth Circuit has, however, concluded that use of advertising terms on the internet can constitute trademark infringement. *See Brookfield,* 174 F.3d at 1066. Plaintiff contends that Defendants have "used Plaintiff's PERMA-LIFE® trademark as visible tags applied to videos that Defendants posted on the internet promoting their Pearl Life Cookware." (Pl's Brief at 9:16-18). Plaintiff attaches a screen shot of a YouTube video using the Plaintiff's mark "perma life" as a visible video tag posted by user "comyang" to promote Pearl Life cookware. (Pl's Brief, Voelzke Decl. Ex. 6). Defendant Yang admitted having used the term "perma life" in at least one video advertising its Pearl Life cookware. (Supp. Evidence, Voelzke Decl. Ex. 4). Additionally, Plaintiff has provided evidence establishing that Defendant Yang uses the pseudonym "comyang" for internet advertising purposes. (Supp. Evidence, Voelzke Decl. Exs. 5-7).

4. Photograph Association of Defendants with PERMA-LIFE

Plaintiff contends that a photograph currently posted on an internet webpage "apparently controlled by the Defendant" shows "what is believed to be Defendant Yang under a large 'PERMA-LIFE' banner." (Pl's Brief at 10:10-12). Plaintiff attached a screen shot of the allegedly infringing photograph but failed to provide basic factual contentions to support a preliminary injunction on this issue. (Pl's Brief, Voelzke Decl. Ex. 17). Plaintiff's Motion does not address the internet website on which this allegedly infringing photograph is posted. Further, much of the text on the exhibit provided by Plaintiff to support this contention is in the Korean language. Plaintiff did not provide translations or offer additional evidence to support its contention.

Thus, Plaintiff has not provided evidence to support a likelihood of success on the merits regarding this issue.

5. Defendants' Use of PERMA-LIFE within Website Text

Plaintiff contends that Defendants use the term "perma-life" and similar terms, such as "pperma_life," as visible text on their website www.316plc.com, a website promoting Pearl life cookware. (Pl's Brief at 10:19-22). As with the allegations regarding the photograph, Plaintiff fails to provide factual evidence sufficient to show a likelihood of success on the merits. Plaintiff's Motion contains only two sentences of argument on this issue. Plaintiff provides an exhibit displaying "examples of Defendants using Plaintiff's trademark as visible text on Defendants' web pages." (Pl's Brief, Voelzke Decl. Ex. 18). Most of this document is in the Korean language for which Plaintiff has provided no translation.

Thus, Plaintiff has not carried its burden of establishing a likelihood of success on the merits regarding this issue.

6. Defendants' Use of PERMA-LIFE as an Internet Advertising Keyword

Courts in this Circuit have presumed that "keying" constitutes "use in commerce" for purposes of trademark infringement litigation. *Brookfield*, 174 F.3d at 1053; *Playboy Enters., Inc*, 354 F.3d at 1024 (explaining that the defendant used the marks in commerce by engaging in keying); *see also Fin. Express LLC v. Nowcom Corp.*, 564 F. Supp. 2d 1160, 1173 (C.D. Cal. 2008) (Carney, J.) (concluding "that purchasing keywords containing a plaintiff's trademarks constitutes a 'use of commerce' under the plain meaning of the Lanham Act."); *Google, Inc. v. Am. Blind & Wallpaper Factory, Inc.*, 2007 U.S. Dist. LEXIS 32450, *21 (N.D. Cal. Apr. 18, 2007) (Fogel, J.) (finding "that the sale of trademarked terms in the AdWords program is a use in commerce for the purposes of the Lanham Act.").

Here, Defendants admit to having purchased the terms "perma-life" and "perma life" in internet search engine advertising keywords. (Pl's Brief at 11:3-4; Voelzke Decl., Ex. 11). These terms are identical and nearly identical to the Plaintiff's trademark.

Thus, Plaintiff has provided evidence to support a likelihood of success on the merits on this issue.

II. Irreparable Injury

Ordinarily, a party who establishes the likely success of its claim must also establish it will be irreparably injured in order to obtain injunctive relief. *See GoTo.com, Inc. v. Walt Disney Co.*, 202 F.3d 1199, 1204-05 (9th Cir. 2000). If, however, a party is able to establish a likelihood of success on a trademark infringement claim, "irreparable injury may be presumed." *Brookfield*, 174 F.3d at 1066; *see also El Pollo Loco, Inc. v. Hashim*, 316 F.3d 1032, 1038 (9th Cir. 2003) ("In a trademark infringement claim, irreparable injury may be presumed from a showing of likelihood of success on the merits.") (quoting *GoTo.com*, 202 F.3d at 1205, n.4.); *see also Metro Pub., Ltd. v. San Jose Mercury News*, 987 F.2d 637, 640 (9th Cir. 1993); *see also Visionsports, Inc. v. Melville Corp.*, 888 F.2d 609, 612, n.3 (9th Cir. 1989). "A [party] is therefore entitled to a preliminary injunction in a trademark case simply when it shows a likelihood of confusion." *GoTo.com*, 202 F.3d at 1205.

III. Balance of Hardships and the Public Interest

Although preliminary injunctive relief is merited if the moving party in a trademark infringement case establishes the likely success of its claim, a court must also consider "the impact of granting or denying a motion for preliminary injunction will have on the respective enterprises" and the public's interest in enjoining the defendant's conduct. *See generally Int'l Jensen v. Metrosound U.S.A.*, 4 F.3d 819, 827 (9th Cir. 1993); *see also Tillamook County*, 288 F.3d at 1143.

A. Balance of the Hardships

Defendants deny the allegations of the Complaint and deny infringing on the PERMA-LIFE trademark. (Def's Opp. at 2:15-17). Defendant Yang declares that he "does not presently use the name "Perma Life" or "Pearl Life" to market or sell any product or for any other purpose." (Yang Decl. ¶ 20).

Plaintiff argues that "the only thing that *finally* got the Defendants to quit using Plaintiff's trademark" was the filing of their Motion. (Pl's Reply at 1:10-11) (emphasis in original). "The fact that Defendants argue that they should be able to use the PERMA-LIFE trademark to sell their competing cookware because doing so will not harm the Plaintiff, merely demonstrates how likely it is that, unless the court enjoins the Defendants from using Plaintiff's trademark, Defendants will immediately return to their old ways." (Pl's Reply at 8:3-6). Plaintiff contends that Defendants have refused to provide discovery responses listing all the ways they have used Plaintiff's PERMA-LIFE trademark. (Pl's Brief at 1:22-26).

In this case, the balance of hardships tips in favor of the Plaintiff. Both parties agree that Defendants have already ceased some of the allegedly infringing activities detailed in the Plaintiff's Motion. Further, Defendants have not made any argument that it would burden them not to use Plaintiff's mark in their advertising. Thus, this factor weighs in favor of the Plaintiff.

B. Public Interest

The public has a right not to be deceived or confused about the source of a good or service. *Moroccanoil, Inc. v. Moroccan Gold, LLC*, 590 F. Supp. 2d 1271, 1282 (C. D. Cal. 2008) (Klausner, J.) (internal citation omitted); *see also Internet Specialties West, Inc. v. Milon-Digiorgio Enters.*, 559 F.3d 985, 993 (9th Cir. 2009) (the public interest concerned in trademark cases is "avoiding confusion to customers."). Here, a preliminary injunction would prevent or ameliorate confusion to customers.

IV. Amount of Bond to be Posted

Federal Rule of Civil Procedure 65(c) states: "the court may issue a preliminary injunction or a temporary restraining order only if the movant gives security in an amount that the court considers proper to pay the costs and damages sustained by any party found to have been wrongfully enjoined or restrained." Here, the parties have agreed that a bond is not necessary. Thus, no bond is required.

CONCLUSION

For the foregoing reasons, the Court **GRANTS** Plaintiff's Motion as to cybersquatting, metatags, visible video tags, and keying, finding likelihood of success on the merits and irreparable harm. The Court **DENIES** Plaintiff's request for a preliminary injunction with respect to the photograph on the internet and use of the Plaintiff's mark within website text for lack of evidence.

IT IS SO ORDERED.

DATED: September 13, 2010

By ______________________
CONSUELO B. MARSHALL
UNITED STATES DISTRICT JUDGE

EXHIBIT 7

437 F.Supp.2d 273
United States District Court,
D. New Jersey.

800–JR CIGAR, INC., Plaintiff,
v.
GOTO.COM, INC. et al., Defendants.

Civil Action No. 00–3179.
|
July 13, 2006.

Synopsis
Background: Cigar retailer, which owned six federal trademarks, brought action against pay-for-priority Internet search engine, alleging, inter alia, trademark infringement, unfair competition, and dilution. Parties filed cross-motions for summary judgment.

Holdings: The District Court, Lifland, J., held that:

[1] search engine made trademark use of retailer's trademarks;

[2] genuine issues of material fact existed as likelihood of confusion element of trademark infringement, unfair competition, and dilution claims;

[3] retailer's trademarks and tradename were famous for purposes of claims under federal and New Jersey anti-dilution statutes;

[4] search engine was not immune under Communications Decency Act from retailer's claims of fraud and abuse arising from its pay-for-priority advertising business; and

[5] federal Telemarketing and Consumer Fraud and Abuse Prevention Act did not apply to Internet search engines.

Plaintiff's motion denied; defendant's motion granted in part and denied in part.

Attorneys and Law Firms

***277** Jan Alan Brody, Carella, Byrne, Bain, Gilfillan, Cecchi, Stewart & Olsten, Roseland, NJ, for Plaintiff.

Peter Joseph Pizzi, Connell Foley, LLP, Roseland, NJ, for Defendant.

OPINION & ORDER

LIFLAND, District Judge.

Before the Court is the Motion of Plaintiff 800–JR Cigar, Inc. ("JR" or "JR Cigar") pursuant to Federal Rule of Civil Procedure 56 for summary judgment as to liability on Counts I (trademark infringement, 15 U.S.C. § 1114), II (unfair competition, 15 U.S.C. § 1125(a)), III (dilution, 15 U.S.C. § 1125(c)), V (common law trademark infringement), VI (New Jersey trademark infringement and dilution, N.J.S.A. 56:3–13.16 and N.J.S.A. 56:3–13.20), and VIII (New Jersey statutory unfair competition, N.J.S.A. 56:4–1 et seq.) against Defendant GoTo.com, Inc. ("GoTo"), now known as Overture Services, Inc., and the cross-motion of Defendant GoTo for summary judgment in its favor on all claims asserted against it. [1] For the reasons explained herein, Plaintiff's motion will be denied and Defendant's cross-motion will be granted in part and denied in part.

BACKGROUND

JR Cigar is a prominent seller of cigars at discount prices. JR Cigar has marketed its products for more than thirty years under the service mark "JR Cigars," more recently under other marks featuring the formatives "JR" or "JR Cigar," and, even more recently, under the trade name "jrcigars.com," which is the address for JR's Internet website that was launched in April 1999. JR Cigar is the ultimate owner of six federal trademarks that utilize the formative "JR" or "JR Cigar." [2]

GoTo is a pay-for-priority Internet search engine formed in 1997. Its service reaches approximately 75% of all Internet users. A search engine allows users to find information by entering a search term and receiving a list of results. Pay-for-priority search engines solicit bids from advertisers for key words or phrases to be used as search terms, giving priority results on searches for those terms to the highest-paying advertiser. Thus, each advertiser's rank in the search results is determined by the amount of its bid on the search term entered by the user. The list of paid results on GoTo's web site discloses the amount of each advertiser's bid. Advertisers pay GoTo only when a user clicks on their listings in the search results. After ***278** all paying advertisers' sites are listed as search results, GoTo lists unpaid or "natural" search listings, i.e., those whose sites are most logically relevant to the search criteria. GoTo receives no revenue when a user clicks on unpaid listings.

Search terms are displayed on GoTo result pages only if a user enters those particular search terms. And if the search terms are displayed in web site descriptions in the search result listings, it is only because the owner of the listed web site included the term in its description for the listing.

It is arguable that GoTo does not use "jr cigar" or any other JR Cigar trademark to promote or advertise its own services. However, in addition to accepting bids for search terms and earning revenue therefrom, GoTo assists prospective and current advertisers in selecting search terms by providing an automated "Search Term Suggestion Tool." This tool enables an advertiser to assess the usefulness of a search term. When an advertiser enters a search term for which it is considering a bid, the Search Term Suggestion Tool applies various algorithms and automatically generates a list showing how many times that term and related terms were searched during the prior month. GoTo applies its standard editorial review process to search terms identified through the use of the Search Term Suggestion Tool.

Between April 1999 and June 2001, GoTo earned revenue of about $345 from paid listings for "jr cigar" and related search terms. Portions of that revenue stemmed from the term "jr" and clicks to web sites entirely unrelated to cigars, such as J & R Music. Another portion of this revenue resulted from clicks to a web site maintained by JR Cigar's attorneys.

JR Cigar itself did not pay GoTo for a priority listing, but some of its competitors (the non-search engine defendants) did. According to GoTo, some of the bids for "jr cigar" search terms were accepted because the advertisers' web sites contained content that was relevant to JR Cigar or its products under GoTo's relevancy guidelines. In other cases, GoTo accepted bids because its editors believed that the term "jr cigar" was a reference to a "junior" or small cigar.

In June 2000, JR became aware that GoTo was selling to the non-search engine defendants the right to use the term "JR Cigar" and slight variations of that term, including "J R Cigar," "J & R Cigar," "J–R Cigar," "JRCigars.com," and "800 JR Cigar" (collectively the "JR search terms"), as Internet keywords or other devices to generate advertising revenues for GoTo. According to JR Cigar, that enabled JR Cigar's competitors to "pass themselves off as JR" and "divert internet shoppers and purchasers from JR's website to their own competitive websites."

At no time did GoTo enter into any agreement with any advertiser encouraging the advertiser to bid on "jr cigar" or related search terms. According to GoTo, its advertisers represent to it that their web sites and search listings will not violate trademark rights of any third party. Moreover, GoTo claims that it exercises no control over the content of the web sites that appear among paid and unpaid listings.

At one time GoTo's "Editorial Manuals" and "Relevancy Guidelines" prohibited bidding on trademarks and on the names of advertisers' competitors, stating that:

- For line listings, GoTo does not permit the mention of specific competitors or bidding for search terms that are trademarked names;
- We do not accept search terms based on the products of our advertisers' competitors, unless our advertisers' websites present actual, significant information about their competitors' ***279** products by comparing them to their own.

These prohibitions were removed in 1999 and 2000, reportedly because it was impractical for editors to determine who owned trademarks and whether an advertiser's use was infringing.

On June 28, 2000, JR Cigar filed suit against GoTo and the non-search engine defendants. [3] GoTo responded to the receipt of the Complaint and demand letter by reviewing the paid listings for "jr cigar" and related search terms, and removed a number of listings that were not relevant. The two remaining paid listings include advertising by a JR Cigar attorney and by a site providing financial and other information about JR Cigar.

In response to JR Cigar's complaint that its web site was not appearing among unpaid listings, GoTo apparently investigated and learned that the company that supplied unpaid results to GoTo and other search engines had applied an adult content rating to JR Cigar's site that blocked the site from GoTo's unpaid listings unless users set the adult filter to view all listings. Within days, the rating was changed. As a result, JR Cigar's site appears at or near the top of GoTo's unpaid listings.

DISCUSSION

I. Summary Judgment Standard

Summary judgment is appropriate if there is no genuine issue as to any material fact and the moving party is entitled to a judgment as a matter of law. *Fed.R.Civ.P.* 56; *Serbin v. Bora Corp.,* 96 F.3d 66, 69 n. 2 (3d Cir.1996). In evaluating a summary judgment motion, a court must "draw all reasonable inferences in favor of the non-moving party." *Armour v. County of Beaver, PA,* 271 F.3d 417 (3d Cir.2001) (quoting *Reeves v. Sanderson Plumbing Products, Inc.,* 530 U.S. 133, 150, 120 S.Ct. 2097, 147 L.Ed.2d 105 (2000)). A motion for summary judgment requires the non-moving party to set forth specific facts showing that there is a genuine issue for trial. *Anderson v. Liberty Lobby, Inc.,* 477 U.S. 242, 250, 106 S.Ct. 2505, 91 L.Ed.2d 202 (1986). The initial burden of showing that no genuine issue of material fact exists rests initially on the moving party. *Celotex Corp. v. Catrett,* 477 U.S. 317, 323, 106 S.Ct. 2548, 91 L.Ed.2d 265 (1986); *Huang v. BP Amoco Corp.,* 271 F.3d 560, 564 (3rd Cir.2001). Once the moving party has made a properly supported motion for summary judgment, the burden shifts to the non-moving party to "set forth specific facts showing that there is a genuine issue for trial." *Fed.R.Civ.P.* 56(e); *Anderson,* 477 U.S. at 242, 106 S.Ct. 2505.

The mere existence of some alleged factual dispute between the parties will not defeat an otherwise properly supported motion for summary judgment. *Matsushita Elec. Indus. Co. v. Zenith Radio Corp.,* 475 U.S. 574, 586, 106 S.Ct. 1348, 89 L.Ed.2d 538 (1986); *Quiroga v. Hasbro, Inc.,* 934 F.2d 497, 500 (3d Cir.1991) (noting that a motion for summary judgment is not defeated by mere allegations, general denials, or other "vague statements"). Rather, only disputes regarding facts that might affect the outcome of the lawsuit under the governing law will preclude the entry of summary judgment. *Anderson,* 477 U.S. at 247–48, 106 S.Ct. 2505. If the evidence is "such that a reasonable fact-finder could return a verdict for the nonmoving party," summary judgment should not be granted. *Id.* at 248, 106 S.Ct. 2505; *Lawrence v. Nat'l Westminster Bank of New Jersey,* 98 F.3d 61, 65 (3d Cir.1996).

*280 II. Parties' Arguments

JR Cigar seeks monetary and injunctive relief, arguing that GoTo (1) profited from the unauthorized sale of the JR marks as search terms to its customers; (2) used the JR marks to attract search customers to its site; and (3) created and implemented a scheme to divert Internet users seeking to find "jr cigar" to JR Cigar's competitors and rivals. JR Cigar argues that such conduct constitutes trademark infringement, unfair competition, and false designation of origin in violation of Sections 32(1) and 43(a) of the Lanham Act, 15 U.S.C. § 1114(a) and 1125(a), involving the unauthorized use of JR marks in interstate commerce in a manner that is likely to create confusion. JR Cigar further argues that GoTo has diluted JR Cigar's "famous mark," entitling JR Cigar to permanent injunctive relief under the anti-dilution statute. [4] JR Cigar also contends that liability exists for common law and New Jersey statutory unfair competition, infringement, and dilution claims because virtually the same proof is required as for liability under federal law.

GoTo responds that JR Cigar seeks "broad veto power" well beyond the bounds afforded by trademark protection. The argument goes that the use of a trademark on GoTo's web site is consistent with applicable law allowing for comparative advertising, "gripe sites," and other cases of fair use. GoTo further argues that its paid listings service is much like other cases wherein courts have allowed use of another's trademark in domain names, as key words for banner advertisements, and in metatags (hidden codes that influence whether a web site appears in search engine results). In summary, GoTo maintains that it has not made trademark use of any JR Cigar search terms for its own services and that there is no contributory infringement because it did not intentionally induce infringement or continue to offer its service to an advertiser that it knew to be infringing.

III. Secondary Liability for Trademark Infringement

Before turning to the analysis of the parties' arguments, it is necessary to address issues of secondary or indirect liability which appear relevant to GoTo's conduct in this case.

[1] Certain theories of secondary liability are recognized under the Lanham Act. *American Telephone & Telegraph Co. v. Winback & Conserve Program, Inc.,* 42 F.3d 1421, 1432–433 (3d Cir.1994) (hereinafter "AT & T"). The Supreme Court has endorsed a "theory of secondary liability for trademark infringement that comes very close to aiding and abetting." *Id.* at 1432 (citing *William R. Warner & Co. v. Eli Lilly & Co.,* 265 U.S. 526, 44 S.Ct. 615, 68 L.Ed. 1161 (1924)). The theory of contributory infringement, as it came to be known, requires proof of either an intent to induce another to infringe a trademark or continued supply of goods or services to one whom the supplier (contributory infringer) knows or has reason to know is engaging in trademark infringement. *Inwood Labs., Inc. v. Ives Labs., Inc.,* 456 U.S. 844, 854, 102 S.Ct. 2182, 72 L.Ed.2d 606 (1982); *AT & T,* 42 F.3d at 1432. Thus, the actions undertaken by the supplier of services (contributory infringer) enable an infringer to confuse or deceive the ultimate consumer. *See* 4 J. Thomas McCarthy, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION, § 25:18, at 25–43. Although the doctrine was applied to drug manufacturers in the *Inwood Labs* case, ***281** "courts have expanded it beyond that particular origin." *AT & T,* 42 F.3d at 1432–433 (noting application of the theory to situations involving franchisors and franchisees and to landlords and tenants in the context of flea markets).

The Third Circuit has also applied theories of agency law, including the doctrine of apparent authority, to conclude that

> in certain instances, secondary, indirect liability is a legitimate basis for liability under the federal unfair competition statute. There is a good reason for this: the Lanham Act is derived generally and purposefully from the common law tort of unfair competition, and its language parallels the protections afforded by state common law and statutory torts. Thus, the conduct prohibited by section 43(a) of the Lanham Act is even more analogous to common law torts than the antitrust laws at issue in *Hydrolevel.* The Act federalizes a common law tort. In construing the Act, then, courts routinely have recognized the propriety of examining basic tort liability concepts to determine the scope of liability.... Applying the analysis to the facts of this case, it is clear that liability based on agency principles is often appropriate.

Id. at 1433–434 (internal citations omitted).

In the present context of Internet trademark infringement, the court in *Government Employees Insurance Co. ("GEICO") v. Google, Inc.,* 330 F.Supp.2d 700 (E.D.Va.2004), recognized contributory infringement and stated:

> Overture encourages advertisers to bid on trademarked words, and monitors and controls the allegedly infringing third-party advertisements. Although Overture argues that its monitoring is intended to prevent, not encourage, trademark infringement, that argument raises a disputed fact that cannot be resolved by a motion to dismiss. The claim that Overture monitors and controls the third-party advertisements is sufficient to plead actual or constructive knowledge required to allege contributory infringement.

Id. at 705. The *GEICO* court additionally commented on theories of liability based on a principal-agent relationship and concluded that "[b]ecause GEICO has alleged that both Overture and the advertisers control the appearance of the advertisements on Overture's search results page and the use of GEICO's trademarks therein, plaintiff has stated a claim for vicarious [5] infringement against Overture." *Id.*

JR has not raised issues of secondary liability. Thus, the Court will proceed to analyze JR's claims of direct infringement against GoTo until such time that these issues are properly before it.

IV. Trademark Infringement and Unfair Competition Claims

[2] To establish violations of either Section 32(1) or 43(a) of the Lanham Act, Plaintiff must show (1) ownership of a valid and legally protectable mark; (2) that defendant used the mark "in commerce" ***282** (3) "in connection with the sale, offering for sale, distribution, or advertising" of goods and services (4) in a manner likely to confuse customers. 15 U.S.C. §§ 1114, 1125(a); *Fisons Horticulture, Inc. v. Vigoro Industries, Inc.,* 30 F.3d 466, 472 (3d Cir.1994). Section 32(1) of the Lanham Act states:

> **(1)** Any person who shall, without the consent of the registrant—
>
> **(a)** use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive; or
>
> **(b)** reproduce, counterfeit, copy, or colorably imitate a registered mark and apply such reproduction, counterfeit, copy, or colorable imitation to labels, signs, prints, packages, wrappers, receptacles or advertisements intended to be used in commerce upon or in connection with the sale, offering for sale, distribution, or advertising of goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive,
>
> shall be liable in a civil action by the registrant for the remedies hereinafter provided. Under subsection (b) hereof, the registrant shall not be entitled to recover profits or damages unless the acts have been committed with knowledge that such imitation is intended to be used to cause confusion, or to cause mistake, or to deceive.

15 U.S.C. § 1114(1). Section 43(a) of the Lanham Act states:

> (a) Civil action
>
> **(1)** Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which—
>
> **(A)** is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person, or
>
> **(B)** in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person's goods, services, or commercial activities, shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act.

15 U.S.C. § 1125.

These motions turn largely on GoTo's use of JR marks and confusion in the marketplace.

A. Trademark Use

[3] First to be addressed is whether GoTo's "use" of JR marks—accepting bids that include "jr cigar" and like key search terms for purposes of priority listing—falls within the commercial use contemplated by statutory and common law trademark infringement prohibitions.

JR contends that GoTo's use of the "JR," "JR Cigar," and "800 JR Cigar" marks and variations of those marks are the sort of use contemplated by the Lanham Act, even though GoTo is not a distributor or direct competitor of JR Cigar. GoTo responds that the sale of JR marks is not "trademark use" attributable to GoTo, because it is the advertiser who selects the search term and uses it in conjunction with the content contained on the advertiser's website. GoTo perceives its involvement as merely limited to accepting the advertiser's bid on the search ***283** term after determining that the term is relevant [6] to the advertiser's Web site.

The Court finds JR's position to be more persuasive. Instructive on this point is the *GEICO* case, *supra,* where GEICO brought suit against Google and Overture Services, Inc. (formerly GoTo, the defendant in the present action) based on their use of GEICO's trademarks in selling advertising on Google's and Overture's Internet search engines. *GEICO,* 330 F.Supp.2d at 700. GEICO alleged that Google and Overture operated Internet search engines that were used by Internet users to search the Internet for sites offering certain products or services. *Id.* at 701. The search engines functioned by the Internet user entering search terms. *Id.* Those search terms were then compared with databases of websites maintained by the search engine, which resulted in a list of various websites matching the given search term. *Id.*

Google and Overture also sold advertising linked to search terms. *Id.* at 702. When an Internet user entered a search term, the results page displayed not only a list of websites generated by the search engine using neutral criteria, but also links to websites of paid advertisers, identified as "Sponsored Links." *Id.* GEICO alleged that the defendants' practice of selling advertising, by allowing GEICO's competitors to pay to have their ads appear next to the listings that resulted when GEICO's marks were entered as search terms, violated the Lanham Act, contributed to violations of the Act by third parties, and also constituted various state law torts.

Google and Overture moved to dismiss for failure to state a claim, arguing that the complaint failed to allege that defendants made trademark use of the marks. Specifically, defendants argued that their use of GEICO's marks was not "in commerce" and "in connection with the sale, offering for sale, distribution, or advertising of goods and services." *Id.* Defendants claimed that they only used GEICO's trademarks in their internal computer algorithms to determine which advertisements to show. The GEICO trademarks did not appear on the paid advertisements and therefore, Google and Overture argued, the Internet user could not be confused as to the origin of the advertised insurance products.

In its analysis, the *GEICO* court discussed recent cases holding that use of trademarks by software companies to generate pop-up Internet advertisements does not constitute "trademark use" of the marks under the Lanham Act. "Those cases are based on a finding that the marks were not used by the company making the pop-up software to identify the source of its goods and services." *Id.* at 703. *See, e.g., U–Haul Int'l, Inc. v. WhenU.com, Inc.,* 279 F.Supp.2d 723, 727 (E.D.Va.2003); *see also Wells Fargo & Co. v. WhenU.com, Inc.,* 293 F.Supp.2d 734, 762 (E.D.Mich.2003).

In the *U–Haul* and *Wells Fargo* cases, WhenU operated an Internet pop-up advertisement business. Its software program, called "SaveNow," was voluntarily downloaded by Internet users into their computers. To determine which pop-up ads to display, WhenU collected common search phrases, web addresses, and various keyword algorithms in an internal directory. The SaveNow program automatically scanned the user's Internet activity to discover whether that activity matched any information in the SaveNow directory. When the software identified a match, a ***284** pop-up advertisement was selected from among those provided by WhenU's clients and appeared on the Internet user's computer screen.

In finding that WhenU did not use plaintiffs' trademarks in commerce, the *U–Haul* and *Wells Fargo* courts both reasoned that WhenU did not sell the plaintiffs' trademarks to its customers or target specific websites, either in its software or in the selling of its services to advertisers. Rather, WhenU used the trademarks for a "pure machine-linking function" to internally associate terms with categories, and thus did not place the trademarks in commerce.

Similarly, in *1–800 Contacts, Inc. v. WhenU.Com, Inc.,* 414 F.3d 400 (2d Cir.2005), the Second Circuit found that WhenU did not make "use" of the plaintiff's trademark. Although WhenU reproduced plaintiff's website address, www.1800Contacts.com, in its proprietary directory, the court found compelling the fact that WhenU "does not disclose the proprietary contents of the SaveNow directory to its advertising clients nor does it permit its advertising clients to request or purchase specified keywords to add to the directory." *Id.* at 409 (distinguishing *GEICO, supra*). [7]

The *GEICO* court also noted other cases which held that the use of trademarks as advertising keywords by the Netscape and Excite search engines potentially created a likelihood of confusion and that there was no dispute that those defendants used the marks in commerce. *See, e.g., Playboy Enterprises, Inc. v. Netscape Commc'n Corp.,* 354 F.3d 1020, 1024 (9th Cir.2004). Similarly, courts have found that the use of trademarks in metatags amount to "use in commerce" for purposes of the Lanham Act. *See Bihari v. Gross,* 119 F.Supp.2d 309 (S.D.N.Y.2000) (using plaintiff's trademarks as metatags in websites critical of plaintiff involved infringing use because those websites also contained hyperlinks to plaintiff's competitors); *Playboy Enter., Inc. v. Asiafocus Int'l, Inc.,* No. 97–734–A, 1998

WL 724000 (E.D.Va. April 10, 1998) (commercial use found where defendant embedded plaintiff's trademarks within defendant's website's computer source code (i.e., metatags) in order to attract consumers searching for plaintiff).

The *GEICO* court ultimately concluded that Overture made trademark use of GEICO's marks. The court found that the allegations of the complaint supported trademark use because "the complaint [was] addressed to more than the defendants' use of the trademarks in their internal computer coding." *GEICO,* 330 F.Supp.2d at 703. That is, the complaint addressed defendants' selling of and profiting from GEICO's marks.

The *GEICO* court distinguished the actions taken by defendant WhenU in the *U–Haul* case, stating:

> [W]hen defendants sell the rights to link advertising to plaintiff's trademarks, defendants are using the trademarks in commerce in a way that may imply that defendants have permission from the trademark holder to do so. This is a critical distinction from the *U–Haul* case, because in that case the only 'trademark use' alleged was the use of the trademark in the pop-up software—the internal computer coding. *WhenU allowed advertisers to bid on broad categories of terms that included the trademarks, but did not market the protected marks themselves as keywords to which advertisers could directly purchase rights.*

Id. at 704 (emphasis added).

The distinction made by the *GEICO* court, italicized above, is applicable here. ***285** GoTo gives prominence in search results to the highest bidder by linking advertisers with certain trademarked terms. There is evidence in the record that, prior to the filing of JR's Complaint, GoTo accepted bids for the JR marks from no less than eleven of JR's competitors and ranked their priority on search results listings from highest to lowest based on who paid the most money. (Rothman Decl. Ex. B.) Such conduct is qualitatively different from the pop-up advertising context, where the use of trademarks in internal computer coding is neither communicated to the public nor for sale to the highest bidder.

Here, GoTo makes trademark use of the JR marks in three ways. First, by accepting bids from those competitors of JR desiring to pay for prominence in search results, GoTo trades on the value of the marks. Second, by ranking its paid advertisers before any "natural" listings in a search results list, GoTo has injected itself into the marketplace, acting as a conduit to steer potential customers away from JR to JR's competitors. Finally, through the Search Term Suggestion Tool, GoTo identifies those of JR's marks which are effective search terms and markets them to JR's competitors.[8] Presumably, the more money advertisers bid and the more frequently advertisers include JR's trademarks among their selected search terms, the more advertising income GoTo is likely to gain.

For these reasons, the Court concludes that there are no disputed material issues of fact which would prevent the Court from concluding, as a matter of law, that GoTo is making trademark use of JR Cigar's trademarks. It must next be determined whether summary judgment is appropriate on the issue of whether GoTo's use of JR's trademarks creates a likelihood of confusion.

B. Likelihood of Confusion

[4] **[5]** To establish a likelihood of confusion, a plaintiff must prove that "consumers viewing the mark would probably assume that the product or service it represents is associated with the source of a different product or service identified by a similar mark." *Checkpoint Systems, Inc. v. Check Point Software Tech., Inc.,* 104 F.Supp.2d. 427, 456 (D.N.J.2000) (citing *Ford Motor Co., v. Summit Motor Products, Inc.,* 930 F.2d 277, 292 (3d Cir.1991)) *aff'd Checkpoint Systems, Inc. v. Check Point Software Tech., Inc.,* 269 F.3d 270, 280 (3d Cir.2001). The likelihood of confusion is a highly factual issue, and accordingly summary judgment for either party is unlikely, absent a particularly one-sided factual record on this issue.

[6] The Third Circuit applies the following ten-part analysis known as the *Lapp* factors for determining whether a likelihood of confusion exists:

(1) similarity of the marks;

(2) the strength of the owner's mark;

(3) the price of the goods and other factors indicative of the care and attention expected of consumers when making a purchase;

(4) the length of time the defendant has used the mark without evidence of actual confusion;

***286** (5) the intent of the defendant in adopting the mark;

(6) the evidence of actual confusion;

(7) whether the goods are marketed or advertised through the same channels;

(8) the extent to which the targets of the parties' sales efforts are the same;

(9) the relationship of the goods in the minds of consumers; and

(10) other factors suggesting that the consuming public might expect the prior owner to manufacture both products, or manufacture a product in the defendant's market, or expect that the prior owner is likely to expand into the defendant's market.

Scott Paper Co. v. Scott's Liquid Gold, Inc., 589 F.2d 1225, 1229 (3d Cir.1978); *see also Checkpoint,* 269 F.3d at 280 (citing *Interpace Corp. v. Lapp,* 721 F.2d 460, 463 (3d Cir.1983)). The same ten factors apply regardless of whether or not the goods at issue directly compete. *A & H Sportswear, Inc. v. Victoria's Secret Stores, Inc.,* 237 F.3d 198, 213 (3d Cir.2000). No one factor is determinative, and not all factors are relevant in each case. *Checkpoint,* 269 F.3d at 280. In a situation where plaintiff and defendant deal in non-competing goods or services, "the court must look beyond the trademark to the nature of the products or services themselves, and to the context in which they are marketed and sold." *Fisons Horticulture, Inc. v. Vigoro Indus.,* 30 F.3d 466, 473 (3d Cir.1994). The closer the relationship between the products and their sales contexts, the greater the likelihood of confusion. The *Checkpoint* court instructed that the *Lapp* factors remain relevant to any likelihood of confusion analysis, and should be accorded proper weight in determining whether, in the totality of the circumstances, marketplace confusion is likely. *Checkpoint,* 269 F.3d at 297.

Lapp Factor (1): Similarity of the Marks

[7] Marks are confusingly similar if "ordinary consumers would likely conclude that ... [the products or services] share a common source, affiliation, connection or sponsorship." *Trade Media Holdings Ltd. v. Huang & Assoc.,* 123 F.Supp.2d 233, 240 (D.N.J.2000) (citing *Fisons,* 30 F.3d at 477). The similarity between the owner's mark and the alleged infringing mark may be the most important factor when products directly compete. *Checkpoint,* 269 F.3d at 281 (citing *Fisons,* 30 F.3d at 476). Where products do not directly compete, mark similarity is not necessarily determinative of likely confusion, but rather one of a number of factors that must be examined. *Id.* at 282. Here, GoTo contends that its Internet search engine services do not compete with JR Cigar's retail cigar services, and that JR's marks bear no similarity to GoTo's mark. Therefore, GoTo argues that this *Lapp* factor should favor it.

JR responds that the test for mark similarity involves the identity between the goods and services being offered under the parties' trademarks, not merely a comparison of the two litigant's marks. JR explains that GoTo has used the JR search terms that are virtually identical to the JR Cigar marks to sell search result prominence to Internet marketers and sellers of cigars, and in doing so, GoTo has benefited financially. According to JR, the fact that GoTo is a search engine rather than a cigar seller is not relevant to the issue of the similarity of the parties' *use* of the JR marks, because GoTo has injected itself into the cigar market through the way it sells its search services.

While JR sells cigars and GoTo sells priority listings to cigar marketers and sellers, among others, GoTo has used JR's marks in its efforts to promote its search ***287** engine services. There is no similarity between "JR" and "GoTo." But there is similarity, if not identity, between JR Cigar's marks and the search terms whose results GoTo sells to direct competitors of JR Cigar who are the highest bidders. Under these circumstances, the *Lapp* factor of similarity of the marks favors JR Cigar.

Lapp Factor (2): Strength of the Owner's Mark

[8] The parties dispute the strength of JR Cigar's marks. " 'Strength,' as applied to trademarks, refers to the commercial strength or marketplace recognition of the mark, as well as distinctiveness of the mark." *Jews for Jesus v. Brodsky,* 993 F.Supp. 282, 302 (D.N.J.1998), *aff'd without opinion,* 159 F.3d 1351 (3d Cir.1998). Marks that are fanciful, arbitrary, or suggestive are considered strong, whereas those that are merely descriptive or generic are deemed to be weak. *Checkpoint,* 269 F.3d at 282–83. "Marks that are merely descriptive (without a secondary meaning) are generally weak and not entitled to strong protection. A mark is descriptive with a secondary meaning when the mark is interpreted by the consuming public to be not only an identification of the product or services, but also a representation of the origin of those products or services." *Id.* at 283. A secondary meaning can be "established through extensive advertising which creates in the minds of consumers an association between the mark and the provider of the services advertised under the mark." *Id.*

JR Cigar argues that its marks are strong, four having become incontestable and creating a presumption of secondary meaning. JR maintains that because "JR" [9] is not a description of the products sold by JR and because arbitrarily arranged letters are not easily memorable, the JR marks qualify for the highest degree of protection under the Lanham Act. JR adds that the magnitude of sales—more than a billion dollars over a five-year span (Colleton Decl. Conf. Ex. 16)—and the extent of the unsolicited third-party recognition that has been received by the JR marks (*Id.,* Exs. 14, 15) speak to the strength of its marks. JR also points out that the term "JR Cigar" routinely finishes at the top of cigar-related search terms reported monthly by GoTo itself in its "Search Term Suggestion Tool", (McCarthy Decl. Ex. 10), which GoTo urges advertisers to use "to drive traffic" to their websites. (Rothman Decl. Ex. G.)

GoTo responds that JR's marks do not qualify for the highest degree of protection because marks consisting of initials are considered to be weak marks that are merely descriptive and without secondary meaning. GoTo contends that the initials "JR" are not distinctive in that the initials alone do not instantaneously conjure up JR Cigar in the minds of consumers. *See Anheuser–Busch, Inc. v. A–B Distrib., Inc.,* 910 F.Supp. 587, 593 (M.D.Fla.1995) ("A B" mark "is merely descriptive, and must be characterized as a weak mark."); *American Optical Corp. v. American Olean Tile Co., Inc.,* 1974 WL 20261, 185 U.S.P.Q. 405, 409 (S.D.N.Y.1974) ("There is nothing particularly distinctive about plaintiff's mark. The initials AO are letters in the alphabet available for use by everyone. It is merely descriptive and must be characterized as a weak mark."). It is also argued that the term "jr cigar" may be perceived as a descriptive term by consumers—i.e., a "junior" or "small" cigar. GoTo argues that the mark is further ***288** weakened by the existence of non-tobacco entities such as "J & R Music."

This factor favors JR Cigar. GoTo has not discredited the evidence put forth by JR Cigar as to the strength of its marks. GoTo does not dispute that JR has used its marks for as long as thirty years, spent millions of dollars promoting the sale of the JR products, achieved sales of over one billion dollars in a span of five years, and received extensive unsolicited third party recognition. That JR's marks consist of someone's initials, under these circumstances, does not reduce their strength because JR has pointed to evidence establishing secondary meaning of its marks. The Court is satisfied that the marks are demonstrably strong. As JR Cigar points out, the fact that more than twenty competitors bid on the "JR Cigar" name on GoTo's system further indicates that the cigar industry recognizes the power of the name. (Rothman Rply. Dec. Ex. 1–12; Denis Dec. Ex. 5–8.) GoTo has not successfully contradicted this evidence.

Lapp Factor (3): Price of the Goods and Other Factors Indicative of the Care and Attention Expected of Consumers when Making a Purchase

Consideration of this *Lapp* factor is highly relevant to the analysis of this action and also merges with initial interest confusion analysis. The Court's discussion of this factor is addressed in Part IV. C.

Lapp Factors (4) & (6): Length of Time Defendant Has Used the Mark Without Evidence of Confusion and Evidence of Actual Confusion

These *Lapp* factors are also highly relevant. GoTo argues that JR has presented no evidence of actual confusion, i.e., that a consumer clicked on an advertiser's listing believing it to be a JR Cigar listing, and once reaching the advertiser's web site, believed that it was affiliated in some way with JR Cigar, and purchased cigars from the advertiser's web site. Indeed, JR Cigar offers no survey evidence of actual consumer confusion. *See Eagle Snacks, Inc. v. Nabisco Brands, Inc.,* 625 F.Supp. 571, 583 (D.N.J.1985) (noting that failure to offer confusion survey may give rise to inference that survey results would be unfavorable). However, JR has presented evidence of diversion that is probative of initial interest confusion. Initial interest confusion is discussed more fully below.

The lack of evidence of actual confusion in the form of mistaken purchasing decisions favors GoTo. However, there is evidence regarding temporary diversion of potential customers away from JR's website. Whether this diversion supports a finding of initial interest confusion must be decided by the trier of fact.

Lapp Factor(5): Intent of GoTo in Adopting the Mark

JR Cigar contends that GoTo ignored its own Relevancy Guideline prohibitions against the sale of trademarks to competitors when it permitted JR's competitors to purchase JR marks. [10] JR Cigar also argues that GoTo's failure to permanently cease all conduct after receiving notice of this action signals willful and bad faith conduct. After receiving JR's Complaint, GoTo continued to permit at least five JR competitors to purchase JR marks (none of whom had relevant information on their sites). (*See* DeNys Decl. Exs. 5–8.) JR Cigar relies on *NFL v. New Jersey Giants,* 637 F.Supp. 507, 518 (D.N.J.1986), which held that "[d]efendant's continuation of its activities after receipt of plaintiff's cease ***289** and desist letters constitutes bad faith and is deemed to be an actual and original intention to confuse consumers."

GoTo disputes the significance of this evidence and maintains that only advertisers who were making fair use were allowed to bid on search terms that are JR marks. GoTo argues that even though the Relevancy Guidelines were replaced by the end of 1999 (McCarthy Exs. 4–7), the Guidelines are consistent with principles of fair use routinely followed by the company, and that, where appropriate, it has removed listings of advertisers who did not appear to be making fair use. GoTo claims it took steps to ensure that JR's website would appear at or near the top of unpaid listings. Also, GoTo has pointed to evidence that its editors initially accepted some "jr cigar" search terms in the good faith belief that they were abbreviations for "junior cigar" and that, after learning about JR's Complaint, removed listings that did not comply with relevancy guidelines. Whether GoTo's editors really believed that "jr cigar" stood for a small cigar will be up to the trier of fact.

Evaluation of the foregoing evidence bearing on GoTo's intent is for the trier of fact.

Lapp Factors (7) & (8): Whether the Goods are Marketed or Advertised Through the Same Channels and the Extent to Which the Targets of the Parties' Sales Efforts are the Same

The Internet is used as the marketing channel for all concerned, so this factor does not further the analysis. *See Playboy Enter.,* 354 F.3d at 1028.

[9] "[W]hen parties target their sales efforts to the same consumers, there is a stronger likelihood of confusion." *Checkpoint,* 269 F.3d at 289. Here, the targets of the present parties' sales efforts are different in the sense that GoTo is an Internet search engine that provides information on myriad topics of interest, whereas JR Cigar sells cigars and cigar-related products. However, from an Internet searcher's perspective, these efforts overlap to the extent these efforts are all directed to attracting consumers seeking to purchase cigars and related products. The eighth *Lapp* factor thus marginally favors JR.

Lapp Factor (9): Relationship of the Goods in the Minds of Consumers

"Under this prong, courts examine whether buyers and users of each parties' goods are likely to encounter the goods of the other, creating an assumption of common source affiliation or sponsorship. The test is whether the goods are similar enough that a customer would assume they were offered by the same source." *Id.* at 286 (internal citation omitted). JR argues that the net result of GoTo's conduct is to direct Internet users searching for JR's website to the websites of JR's competitors, who, by definition, offer similar products. Paid search listings delivered in response to searches for JR's website suggest GoTo's promulgation of an association between GoTo's advertisers and JR, and an implied right to advertise using JR's name.

GoTo argues, as it has throughout, that JR's retail cigar services and GoTo's search engine services are not related. "Internet users looking for JR Cigar come to [GoTo] because they do not know how to locate JR Cigar, its products or information regarding it, not because they believe it is somehow connected to JR Cigar." Def. Br. at 28. While this may be true, GoTo's sales efforts to JR Cigar's competitors established a relationship between JR's retail cigar services and GoTo's search engine services. GoTo's argument oversimplifies the factual underpinnings at hand and overlooks the fact that Internet users looking for JR Cigar on GoTo's ***290** search engine don't necessarily find JR either, but may likely be diverted to a competitor instead.

The Court finds that the goods to which Internet users are ultimately directed in GoTo's search results are similar to JR's products and are likely to be so identified in the minds of consumers. The ninth *Lapp* factor thus favors JR.

C. Initial Interest Confusion

[10] A trademark violation based on initial interest confusion arises when a senior user's customers are diverted to a junior user's website offering similar products. The idea is that, upon arriving at the competitor's website, customers may be fully aware that the website is not JR's, but may buy from the competitor out of convenience or in the belief that JR's products are available from the competitor. *See Brookfield Commc'n. Inc. v. West Coast Entm't Corp.,* 174 F.3d 1036, 1064 (9th Cir.1999).

[11] The Third Circuit has held that initial interest confusion supports a violation of the Lanham Act. *Checkpoint,* 269 F.3d at 292. Initial interest confusion "occurs when a consumer is lured to a product by its similarity to a known mark, even though the consumer realizes the true identity and origin of the product before consummating a purchase." *Id.* at 294 (citing *Eli Lilly & Co. v. Natural Answers, Inc.,* 233 F.3d 456 (7th Cir.2000)). Without protection against initial interest confusion, an infringer receives a "free ride on the good will of the established mark." *Id.* at 295 (internal citations omitted). Indeed, "[c]onfining actionable confusion under the Lanham Act to confusion present at the time of purchase would undervalue the importance of a company's goodwill with its customers." *Id.*

Thus, courts have found that damage to a trademark holder results even where a consumer eventually becomes aware of the source's actual identity or where no actual sale occurs. *See Australian Gold, Inc. v. Hatfield,* 436 F.3d 1228, 1239 (10th Cir.2006); *BigStar Entm't Inc. v. Next Big Star, Inc.,* 105 F.Supp.2d 185 (S.D.N.Y.2000).

> This damage can manifest itself in three ways: (1) the original diversion of the prospective customer's interest to a source that he or she erroneously believes is authorized; (2) the potential consequent effect of that diversion on the customer's ultimate decision whether to purchase caused by an erroneous impression that the two sources of a product may be associated; and (3) the initial credibility that the would—be buyer may accord to the infringer's products—customer consideration that otherwise may be unwarranted and that may be built on the strength of the protected mark, reputation and goodwill.

Australian Gold, 436 F.3d at 1239.

[12] The probative value of initial interest confusion and its significance varies from case to case. *Checkpoint,* 269 F.3d at 297. Relevant factors include (1) product relatedness (i.e., whether the goods or services are similar; whether the products at issue directly compete), (2) the level of care exercised by consumers in making purchasing decisions, (3) the sophistication of the purchaser/consumer; and (4) the intent of the alleged infringer in adopting the mark. *Id.* at 296. "Initial interest confusion in the internet context derives from the unauthorized use of trademarks to divert internet traffic, thereby capitalizing on a trademark holder's good will." *Australian Gold,* 436 F.3d at 1239; *see also Brookfield,* 174 F.3d at 1064. Thus, in this factual context, evidence of the diversion of traffic away from JR's website to those of its competitors is also a significant factor.

***291** *Product Relatedness*

This factor examines whether the goods and services are similar and whether the products at issue directly compete. GoTo again argues that it does not compete with JR, and that when the goods or services of the parties are dissimilar, there can be no initial interest confusion. The correct inquiry here is not whether the present parties are themselves competitors in the same business, but rather a comparison of the similarity of the goods and services being offered under the trademark being used by both.

GoTo and JR both used JR's marks—GoTo used JR's marks to promote its search engine services to cigar suppliers other than JR, and JR uses its marks to promote its own cigars. As discussed above in connection with the "Similarity of the Marks" and "Relationship of the Goods" *Lapp* factors, GoTo's use of the marks suggests an affiliation or connection between JR and GoTo based on GoTo's alleged infringing use of the marks.

Level of Care Exercised by Consumers in Making Purchasing Decisions and Sophistication of the Consumer

[13] "When consumers do not exercise a high level of care in making their decisions, it is more likely that their initial confusion will result in a benefit to the alleged infringer from the use of the goodwill of the other firm." *Checkpoint,* 269 F.3d at 296–97. Cost of the product, the sophistication of the consumer, and the length of the purchasing process are relevant here. Unsophisticated buyers are more likely to be confused as to source or affiliation when confronted with similar trademarks, and there is an inverse relationship between the cost of a product and the amount of care the reasonably prudent buyer will use in acquiring it. *See id.* at 284–85.

JR argues that "[t]he relatively modest price levels of [JR's] products—even for the more costly premium hand rolled cigars—suggest that ... consumers are unlikely to exercise undue care in purchasing many cigars. The moderate price levels further suggest that consumers may not be attentive to being redirected to the websites operated by JR's competitors from an internet search result that superficially appears to be directing the consumer to JR's website." (Pl. Br. at 14). GoTo does not respond to JR's arguments.

Without evidence in the record as to the price of JR's products, the sophistication of cigar buyers generally and JR's customers specifically, and the length of the purchasing process, all of which bear on whether an Internet user interested in cigars could be lured away from JR Cigar, the Court cannot address this issue. Upon hearing such evidence, the trier of the facts may find that consumers are unlikely to exercise care in their purchasing decisions and may not be attentive about being redirected away from JR's website, but JR's unsupported allegations on this issue are insufficient to meet its burden of proof on summary judgment.

Intent of Alleged Infringer in Adopting the Mark

The proper inquiry here is whether GoTo intentionally adopted JR's marks to create confusion among consumers making purchasing decisions. *Checkpoint,* 269 F.3d at 296. GoTo claims that it made fair use of JR's marks. JR claims that GoTo purposefully lured consumers away from its website to those of its competitors for financial gain. The factual issue of GoTo's intent is in dispute.

Evidence of Diversion Supporting the Likelihood of Confusion

JR points to evidence that Internet users who input JR Search Terms on GoTo's search engine were directed to a list including websites other than JR's website, the first eleven of which were paid ***292** listings. (Rothman Decl. Ex. B.) Between April 1999 and June 2001, while GoTo was selling the JR advertising rights to the highest bidders, JR Cigar maintains that approximately 20,000 of the 70,407 searches reflected in Rothman Conf. Ex. D were made on the GoTo search system, meaning Internet users were thwarted in their efforts to find JR's website on some 20,000 occasions. (Rothman Decl. ¶ 10 and Conf. Ex. D.) According to JR, such searches resulted in the Internet users who conducted these searches being shown 170,847 impressions or listings of sites other than the JR website and caused approximately 1,000 of those consumers to "click through" to the sites of JR's competitors. (Rothman Decl. ¶¶ 11, 12 and Conf. Exs. D and E.) Indeed, during a two-month period between May and June 2000, GoTo averaged a 23.98% "diversion rate" in click-throughs to JR Cigar competitors. (Rothman Decl. Conf. Ex. F.) These statistics, JR contends, evidence a significant diversion of Internet traffic away from JR's website to those of its competitors, which, in turn, represents confusion created by GoTo's sale of advertising rights to JR's name.

GoTo responds that complaints of diversion of traffic from JR's website to those of its competitors, absent proof that any customers were actually confused, is insufficient to prove confusion. GoTo again contends that there has been no diversion of customers from plaintiff to defendant in that no one has bought a single cigar from GoTo. The Court finds that response unconvincing, because there is evidence that JR has suffered from the diversion occasioned by GoTo's bidding process and its use of JR's marks. See *Securacomm Consulting, Inc. v. Securacom Inc.,* 984 F.Supp. 286, 298 (D.N.J.1997) ("Infringement can be based upon confusion that creates initial customer interest, even though no actual sale is finally completed as a result of the confusion."), *rev'd on other grounds,* 166 F.3d 182, 186 (3d Cir.1999) ("In this appeal, [appellant] does not challenge the district court's finding of infringement or order of injunctive relief.").

The statistical evidence of diversion of customers that JR has presented is arguably indicative of a likelihood of confusion. *See Taj Mahal Enter. v. Trump,* 745 F.Supp. 240, 249 (D.N.J.1990) (noting that the key to actual confusion is whether there has been a diversion of customers); *Trade Media Holdings Ltd. v. Huang & Assoc.,* 123 F.Supp.2d 233, 241 (D.N.J.2000) (evidence of diversion establishes likelihood of confusion). JR has come forward with evidence of diversion in support of actual confusion. GoTo does not contradict it. This state of the record favors JR, but the trier of fact must decide to credit this evidence of diversion of traffic away from JR's website to those of its competitors, in deciding whether there is a likelihood of confusion.

To summarize, the Court has concluded, as a matter of law, that GoTo made trademark use of JR's marks. As to the likelihood of confusion element, however, there are material issues in dispute; namely, the third, fourth and sixth *Lapp* factors dealing with evidence of confusion and the impact, if any, of initial interest confusion, and the fifth *Lapp* factor dealing with GoTo's intent in adopting the mark. These factors are highly relevant to the analysis of this action and preclude summary judgment for either party.

As summary judgment is inappropriate on JR's claims for trademark infringement and unfair competition, the Court need not consider GoTo's affirmative "fair use" defense, except to note that use of JR's marks by GoTo is probably fair in terms of its search engine business; that is, where GoTo permits bids on JR marks for purposes of comparative advertising, resale of JR's products, or the provision of information ***293** about JR or its products. However, fairness would dissipate, and protection under a fair use defense would be lost, if GoTo wrongfully participated in someone else's infringing use. Thus, the factual issue of whether GoTo's conduct supports a fair use defense is for the trier of fact.

V. Federal and State Anti–Dilution Claims

[14] **[15]** Dilution is defined as "the lessening of the capacity of a famous mark to identify and distinguish goods or services, regardless of the presence or absence of (1) competition between the owner of the famous mark and other parties, or (2) likelihood of confusion, mistake or deception." 15 U.S.C. § 1125(c). To establish a *prima facie* case for relief under the federal anti-dilution act, a plaintiff must plead and prove (1) the plaintiff is the owner of a mark that qualifies as a "famous" mark in light of the totality of eight factors listed in § 1125(c)(1) [11]; (2) the defendant is making commercial use in interstate commerce of a mark or trade name; (3) defendant's use began after the plaintiff's mark became famous; and (4) defendant's use causes dilution by lessening the capacity of the plaintiff's mark to identify and distinguish goods or services. *Times Mirror Magazines, Inc. v. Las Vegas Sports News,* 212 F.3d 157, 163 (3d Cir.2000). The underlying purpose of the dilution doctrine is that a gradual attenuation of the value of a famous trademark occasioned by another's unauthorized use constitutes an invasion of the holder's rights. *Id.* Factors to be considered in determining whether there has been dilution include: "actual confusion and likelihood of confusion, shared customers and geographic isolation, the adjectival quality of the junior use, and the interrelated factors of duration of the junior use, harm to the junior user, and delay by the senior user in bringing the action." *Id.* at 168.

[16] Whether a mark is considered famous is akin to a determination on the strength of a mark. *See Revlon Consumer Prods. Corp. v. Jennifer Leather Broadway, Inc.,* 858 F.Supp. 1268, 1277 (S.D.N.Y.1994), *aff'd,* 57 F.3d 1062 (2d Cir.1995). The degree of distinctiveness of a mark informs whether the mark is famous. *See* 15 U.S.C. § 1125(c)(1)(A); *see also Times Mirror,* 212 F.3d at 165 ("The degree of acquired or inherent distinctiveness of a mark bears directly upon the issue of whether that mark is famous."). Distinctiveness turns on the following considerations: (1) the length of exclusivity of use of the mark; (2) the size or prominence of the plaintiff's enterprise; (3) existence of substantial advertising by the plaintiff; (4) established place in the market and (5) proof of intentional copying. *Times Mirror,* 212 F.3d at 165.

[17] The fame of the JR marks may be tested within the cigar market. "[A] mark ***294** not famous to the general public is nevertheless entitled to protection from dilution where both the plaintiff and defendant are operating in the same or related markets, so long as the plaintiff's mark possesses a high degree of fame in its niche market." *Id.* at 164. As explained by the Third Circuit,

> A mark that is highly distinctive only to a select group of purchasers may be protected from diluting uses directed at that particular class or group. For example, a mark may be

> highly distinctive among purchasers of a specific type of product. In such circumstance, protections against a dilution of the mark's distinctiveness is ordinarily appropriate only against users specifically directed at that particular class of purchasers.

Id. (quoting Restatement (Third) of Unfair Competition § 25 cmt. e (1995 Main Vol.)).

JR Cigar argues that by using its marks as search terms, GoTo forces customers looking for the JR website to wade through numerous other websites and that using its marks as search terms dilutes them within the meaning of anti-dilution laws. GoTo defends against the Federal Anti–Dilution Act and its New Jersey counterpart by arguing that it does not use the JR marks in commerce. The Court rejects that argument for the reasons already stated.

[18] GoTo's second defense against the dilution claims is that JR marks are not entitled to protection under the anti-dilution statutes because the JR marks are not famous. GoTo argues that there is no evidence that JR marks are strong because the mere expenditure of money on promotional efforts does not establish fame, JR Cigar has only nine retail locations, its billboard advertising is limited to one state, it has been selling on the Internet for only two years, and it has failed to produce a fame survey.

As discussed above, the record shows that JR is a preeminent cigar marketer. The company is over thirty years old and has spent millions of dollars on promotion. (Rothman Decl. ¶¶ 15–17, Colleton Decl. ¶ 9.) The JR marks have been in use for up to thirty years. JR CIGARS, in particular, has been in use since 1970. (Colleton Decl. ¶¶ 3–4.) Two marks for JR, as well as JR–ULTIMATE and JR ALTERNATIVE, are incontestable and are therefore presumed to have acquired secondary meaning. (Colleton Decl. at ¶¶ 3–4.) JR Cigar has nine retail locations and has been selling on the Internet, at the time of briefing, for two years. JR has earned more than a billion dollars in revenues under the JR marks and JR Cigar tradename in the five-year span preceding briefing. (Colleton Decl. Conf. Ex. ¶ 16.) In addition, the JR marks have received extensive unsolicited third-party recognition in the form of news articles and awards, samples of which are in the record. (Colleton Decl., Exs. 14, 15.) Also, JR marks are prominent among search terms used by Internet browsers when looking for cigars. (McCarthy Decl. ¶ 12.)

The Court is satisfied that JR's marks are famous for purposes of the dilution statutes.

[19] Dilution claims under New Jersey law are subject to the same considerations as federal dilution claims. *See Novartis Consumer Health, Inc. v. McNeil–PPC, Inc.,* 1999 WL 707721, 53 U.S.P.Q.2d 1406, 1409 (D.N.J.1999). Accordingly, fame of the marks is established as to the state law cause of action as well.

[20] Whether there has been dilution is another matter. Confusion, actual or likely, is one factor bearing on the dilution analysis, and especially important in the context of GoTo's unique use of the marks. As discussed above, there are disputed ***295** issues of fact concerning likelihood of confusion that preclude summary judgment.

VI. Non–Lanham Act Claims: Deceptive Telemarketing and Consumer Fraud

JR Cigar asserts two non-intellectual property claims: deceptive telemarketing under the federal Telemarketing and Consumer Fraud and Abuse Prevention Act ("Telemarketing Act"), 15 U.S.C. § 6102(b), and consumer fraud under the New Jersey Consumer Fraud Act ("NJCFA"), N.J.S.A. § 56:8 et seq. GoTo cross-moves for summary judgment on these claims, arguing that (1) it is immune from liability under the Communications Decency Act, 47 U.S.C. § 230; (2) JR Cigar does not have standing to bring telemarketing claims or the consumer fraud claim; and (3) its behavior cannot be reasonably characterized as meeting the requisite threshold for a consumer fraud violation—"unconscionable" behavior.

JR Cigar counters that the Communications Decency Act immunity may not cover GoTo since it may not qualify as an "interactive computer service." Pl. Rply. Mem. in Opp. at 27. JR Cigar further argues that relief under the Telemarketing Act and NJCFA is not limited to consumers. Finally, it argues that GoTo's conduct is unconscionable under the NJCFA inasmuch as GoTo solicited bids on and sold the right to advertise under JR's marks to JR competitors despite knowledge of the filing of JR's Complaint.

Immunity

[21] The purpose of the Communications Decency Act is to promote self-regulation of Internet service providers. Basically, the Act shields service providers from liability for the content of websites of third parties that are accessed through the Internet. The Act affords immunity to “interactive computer services,” defined as “any information service, system, or access software provider that provides or enables computer access by multiple users to a computer server, including specifically a service or system that provide access to the Internet and such systems offered by libraries or educational institutions.” 47 U.S.C. § 230(c)(1).

[22] The Court is not persuaded that GoTo qualifies for immunity under the Act. GoTo contends that it is an “interactive computer service” because it is an “information service ... that provides or enables computer access by multiple users to a computer server. [and] provides access to the Internet....” However, as far as this Court can tell, GoTo does not provide access to the Internet like service providers such as AOL. The only authority cited in support of GoTo qualifying for this designation is an unpublished Superior Court of California case where it was undisputed that eBay qualified as an “interactive computer service.” *Stoner v. eBay, Inc.,* No. 305666, 2000 WL 1705637, at *1 (Cal.Super. Nov. 1, 2000). The Court does not find that argument persuasive.

Moreover, immunity under the Act applies to any cause of action that would make service providers liable for information originating with a third-party user of the service. Immunity does not seem to fit here because the alleged fraud is the use of the trademark name in the bidding process, and not solely the information from third parties that appears on the search results page. It is not the purpose of the Act to shield entities from claims of fraud and abuse arising from their own pay-for-priority advertising business, rather than from the actions of third parties.

Standing

[23] GoTo also argues that JR Cigar does not have standing to bring the state law consumer fraud claim and the federal deceptive telemarketing claim. Consumers and commercial competitors have ***296** standing to bring claims under the NJCFA. *Conte Bros. Automotive, Inc. v. Quaker State–Slick 50, Inc.,* 992 F.Supp. 709, 716 (D.N.J.1998); *General Development Corp. v. Binstein,* 743 F.Supp. 1115, 1130 (D.N.J.1990). JR fails to explain how it should be considered a commercial competitor of GoTo. Instead, JR offers the following conclusory statement in support of standing: “Overture's assertion that only consumers may bring claims under the federal Fraud Act and the New Jersey [Consumer] Fraud Act is simply wrong. Under the New Jersey [Consumer] Fraud Act, a commercial competitor has standing to bring a claim.... Thus, JR has standing to assert claims under [the statute].” (Pl. Rply Mem. in Opp. at 29.)

[24] JR Cigar is neither a consumer of cigars nor of GoTo's services. As a cigar retailer, JR cannot be considered a commercial competitor of GoTo's search engine. While JR may have had standing to sue the non-search engine defendants (all of whom have already settled with JR), JR has not provided the Court with any arguments that would support standing under the NJCFA against GoTo. Accordingly, summary judgment will be granted to GoTo on JR Cigar's claim under the NJCFA.

As to the Telemarketing Act, the Act states that those persons who are “adversely affected” are authorized to bring a civil action against a deceptive telemarketer. 15 U.S.C. § 6104(a). First, GoTo argues that it is the public, not JR Cigar itself, that has been allegedly deceived by GoTo's actions and that JR Cigar therefore lacks standing to bring a claim. This argument is without merit. JR Cigar is most certainly aggrieved by practices (if proven) that take unfair advantage of its marks and divert customers away from its website.

[25] GoTo's second argument is that extending the Act beyond actual telemarketing would create Internet liability that Congress never contemplated, by applying the Act to an Internet search engine simply because it connects to the Internet via telephone lines. JR Cigar counters that the plain wording of the statute contemplates plans to induce purchases of goods and services by use of one or more telephones, but cites no authorities that recognize the Act's applicability to Internet search engines.

The Court agrees with GoTo, and concludes that the facts of this case do not support a cause of action under the Telemarketing Act.

CONCLUSION

There are factual issues which preclude summary judgment in favor of either party, as discussed above, particularly with respect to likelihood of confusion. Moreover, summary judgment in favor of JR Cigar is unwarranted because JR Cigar has failed to advance the legal theory which the Court feels best embraces the facts of this case, contributory or indirect infringement. The Court believes that any further proceedings in this case should be conducted under that theory, given that GoTo is the only remaining defendant.

In sum, disputed issues of fact preclude granting summary judgment as to liability in favor of JR Cigar on Counts I (trademark infringement, 15 U.S.C. § 1114), II (unfair competition, 15 U.S.C. § 1125(a)), III (dilution, 15 U.S.C. § 1125(c)), V (common law trademark infringement), VI (New Jersey trademark infringement and dilution, N.J.S.A. 56:3–13.16 and N.J.S.A. 56:3–13.20), and VIII (New Jersey statutory unfair competition, N.J.S.A. 56:4–1 et seq.). Summary judgment in favor of GoTo is appropriate as to the New Jersey Consumer Fraud Act and the Telemarketing and Consumer Fraud and Abuse Prevention Act, but not otherwise.

***297** Accordingly, **IT IS** on this 13th day of July 2006,

ORDERED that the Motion of Plaintiff 800–JR Cigar, Inc. for summary judgment as to liability against Defendant GoTo.com, Inc. on Counts I (trademark infringement, 15 U.S.C. § 1114), II (unfair competition, 15 U.S.C. § 1125(a)), III (dilution, 15 U.S.C. § 1125(c)), V (common law trademark infringement), VI (New Jersey trademark infringement and dilution, N.J.S.A. 56:3–13.16 and N.J.S.A. 56:3–13.20), and VIII (New Jersey statutory unfair competition, N.J.S.A. 56:4–1 et seq.) is denied; and it is further

ORDERED that the Cross–Motion of Defendant GoTo.com, Inc. for summary judgment in its favor on all counts asserted against it is granted as to the New Jersey Consumer Fraud Act and the Telemarketing and Consumer Fraud and Abuse Prevention Act claims, but is otherwise denied.

All Citations

437 F.Supp.2d 273, 81 U.S.P.Q.2d 1939

Footnotes

1 GoTo argues that the non-intellectual property claims asserted against it—deceptive telemarketing and consumer fraud—fail as a matter law. JR Cigar does not move for summary judgment on these claims.

2 At briefing, JR Cigar also had five pending applications on other marks involving the above-mentioned formatives. The Court is unaware of the outcome of those applications.

3 The non-search engine defendants have reached settlements with JR.

4 JR Cigar acknowledges that the issue of damages must await determination by the trier of fact.

5 The term “vicarious infringement” used in the *GEICO* case was meant to refer to secondary liability in the trademark context, not with vicarious liability in the copyright and patent contexts. In copyright law, “[a] defendant is vicariously liable for copyright infringement if it has the right and ability to supervise the infringing activity and also has a direct financial interest in such activities.” *AT & T,* 42 F.3d at 1441; *see also Metro–Goldwyn–Mayer Studios, Inc. v. Grokster, Ltd.,* 545 U.S. 913, 125 S.Ct. 2764, 2776, 162 L.Ed.2d 781 (2005). However, the Supreme Court has construed secondary liability in the trademark context more narrowly than in the copyright or patent contexts, and the Third Circuit has declined to apply vicarious liability in the trademark context. *See AT & T,* 42 F.3d at 1441.

6 To determine relevancy after an advertiser selects its own search terms and determines its bids for each search term, a “search listing request” is assigned to an editor. Editors typically compare each search term to the advertiser's Web site and accept or reject the search term under the relevancy guidelines noted above.

7 GoTo does, arguably, permit its clients to “purchase” specified keywords.

8 GoTo contends that its Search Term Suggestion Tool is an entirely automated utility that takes a term entered by the user and applies various algorithms to generate a list showing how many times that term was searched during the preceding month. Perhaps, but it is nonetheless clear to the Court that the Search Term Suggestion Tool permits GoTo to channel advertisers directly to JR's trademarks by demonstrating quantitatively the potential for successful advertising, thereby implicitly recommending those terms to advertisers.

9 The letters “JR” were selected by the owner of 800–JR–Cigar in honor of his father, Jack Rothman. Rothman Dec. ¶ 5.

10 Although not raised by the parties, GoTo's development of the Search Term Suggestion Tool and its promotion of the Tool to advertisers wishing to identify effective search terms upon which to bid raises additional questions concerning GoTo's intent in adopting JR's marks. Those questions are suitable for resolution only by the trier of facts.

11 Section 43(c) of the Lanham Act sets forth eight non-exclusive factors for determining fame:

(A) the degree of inherent or acquired distinctiveness of the mark;

(B) the duration and extent of use of the mark in connection with the goods or services with which the mark is used;

(C) the duration and extent of advertising and publicity of the mark;

(D) the geographical extent of the trading area in which the mark is used;

(E) the channels of trade for the goods or services with which the mark is used;

(F) the degree of recognition of the mark in the trading areas and channels of trade of the mark's owner and the person against who the injunction is sought;

(G) the nature and extent of use of the same or similar marks by third parties; and

(H) whether the mark was registered under the Act of March 3, 1881, or the Act of February 20, 1905, or on the principal register.

15 U.S.C. § 1125(c)(1)(A)-(H).

End of Document

EXHIBIT 8

2016 WL 4074121
Only the Westlaw citation is currently available.
United States District Court,
D. Connecticut.

Edible Arrangments, LLC and Edible Arrangments International, LLC, Plaintiff,
v.
Provide Commerce, Inc., Defendant.

CIVIL ACTION NO. 3:14-CV-00250 (VLB)
|
Signed 07/29/2016

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MEMORANDUM OF DECISION GRANTING IN PART AND DENYING IN PART DEFENDANT'S MOTION FOR SUMMARY JUDGMENT [Dkt. #116]

Hon. Vanessa L. Bryant, United States District Judge

I. Introduction

***1** The Plaintiffs, Edible Arrangements, LLC, and Edible Arrangements International, LLC, ("EA") bring this action against Defendant Provide Commerce, Inc. ("Provide"), alleging trademark infringement in violation of 15 U.S.C. § 1114(1)(A) (Count I); false designation of origin or sponsorship and unfair competition in violation of 15 U.S.C. § 1125(A) (Count II); trademark dilution in violation of 15 U.S.C. § 1125(C) (Count III); common law trademark infringement (Count IV); unfair competition and deceptive trade practices in violation of the Connecticut Unfair Trade Practices Act, Conn. Gen.Stat. 42–110b(a) et seq. ("CUTPA") (Count V); and violations of the Anticybersquatting Consumer Protection Act, 15 U.S.C. § 1125(D) ("ACPA") (Count VI). Currently pending before the Court is the Defendant's Motion for Summary Judgment. For the reasons that follow, the Defendant's Motion for Summary Judgment is GRANTED IN PART with respect to EA's ACPA (Count VI) claim AND DENIED IN PART with respect to all other claims (Counts I – V).

II. Factual Background

a. The Parties

Plaintiff EA is a leading seller in the United States and internationally in artfully designed fresh fruits that are sculpted in the shapes of flowers and arranged to resemble floral arrangements. EA also sells "gourmet, chocolate Dipped Fruit™, fruit salads, and fruit-based beverages." [Def.'s Mem. at 3].

Defendant Provide is a direct competitor of the Plaintiff which sells a variety of gift products including flowers, chocolates, fresh fruit, gift baskets, and personalized gifts under brands such as "ProFlowers," "ProPlants," "RedEnvelope," "Personal Creations," "Shari's Berries," and "Cherry Moon Farms." [Dkt. 118, Def.'s Rule 56(a)(1) Statement ("SOMF") ¶ 1]. Particularly relevant to this case is Provide's brand Shari's Berries, which offers a variety of items through its online store at <www.berries.com>, including "hand-dipped strawberries, cherries, and apples; hand-decorated cake pops; handmade s'mores; and pretzels hand-dipped in caramel and coated with decadent toppings." [Id. ¶ 2].

Provide does not sell shaped fruit or fruit that is packaged to resemble floral arrangements. [Dkt. 119, Ex. 2; Pl.'s R. 56(a)(2) Statement ¶ 9]. Provide does sell coated fruit products that compete directly with some of EA's "Dipped Fruit™" products. [Dkt. 136, Ex. N.]. EA argues that its coated fruit products are superior because EA uses real chocolate in its fruit coatings, while Provide uses imitation chocolate. [Dkt. 136, Ex. O, Ex. P]. Nonetheless, neither party appears to dispute that Provide and EA are direct competitors in the market for chocolate and fruit-based gift packages. [Dkt. 119, Ex. 2; Pl.'s Mem. at 5].

b. EA's Mark and Its Use

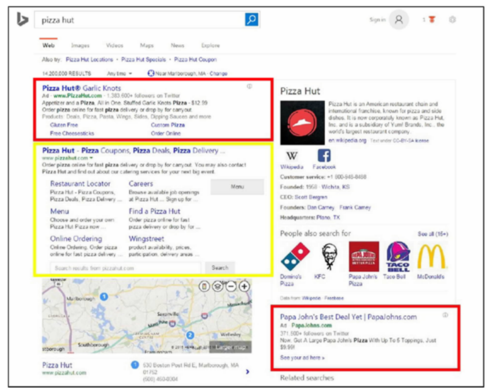
EA has advertised, marketed and sold its fresh fruit products ("the EA Goods") under the trademark "EDIBLE ARRANGEMENTS" ("the EA Mark") since 1998. [Dkt. 136, Ex. A ¶2.]. EA has been granted "multiple U.S. registrations for the EA Mark," including at least two registrations on the U.S. Patent and Trademark Office's ("USPTO") principal register, since as early as 2005, at U.S. Reg. Nos. 3844160 and 2934715. [Dkt. 136, Ex. B]. EA's mark has also been in continuous use for seventeen years. [Pl.'s R. 56(a)(2) Statement ¶ 3]. EA admits that there have been "numerous attempts" to plagiarize the mark, which have resulted in "aggressive polic[ing]" by EA in the form of cease and desist letters sent to more than a dozen companies using the mark and at least one lawsuit. [Id. ¶¶ 12-13].

c. Keyword Advertising

***2** "Keyword advertising" is a common method of advertising used by companies to market their products through programs offered by Internet search engines such as Google, Bing, and Yahoo. [Def.'s R. 56(a)(1) Statement ("SOMF") ¶ 16]. The premise behind keyword advertising is that companies wish to have their advertisements appear when consumers use search engines to search for particular terms. [Id. ¶ 17]. To ensure that their advertisements appear when consumers search for particular terms, companies pay fees to the search engines by "bidding" on those terms. [Id. ¶ 19]. Consumers searching via Google, Bing, and Yahoo have no way of knowing which particular terms advertisers have bid on; thus, keyword bidding is often referred to as "non-consumer-facing." [Id. ¶ 20].

An example offered by the defendant would be the following scenario: when a consumer enters "Pizza Hut pizza" into a search engine, competitors such as Papa John's, Domino's, and Little Caesars wish to have their advertisements appear on the results page so that the consumers may have easy access to their websites and purchase their pizza. Such companies would thus need to bid on keyword terms such as "pizza," "Pizza Hut," "Domino's," "Papa John's," and "Little Caesars." Figure I, below, depicts this scenario.

Figure I.



Provide notes that it bids on thousands of terms, including some terms that describe its products, such as "fruit," "dipped berries," "edible fruit," "flowers for moms," "Valentine's birthday cake," "fruit bouquets," and "edible arrangements." [Id. ¶ 23]. Provide also bids on EA's mark as a keyword, so that consumers searching for "edible arrangements" would see an ad for a Provide gift-seller. [Id. ¶ 22]. In addition, EA notes, that Provide bids on keywords related to EA that clearly are not descriptive of any Provide product, including "edible arrangements locations," "edible arrangements coupons," "edible arrangements promotional code," "edible arrangements bouquet," "edible arrangements flowers," "cheap edible arrangements," "edible arrangement discount," and "incredible edible arrangements." [*See* Dkt. 136, Ex. X, Ex. Y, Ex. Z].

d. Provide's Consumer-Facing Advertisements

Because of Provide's purchase of the EA Mark as a keyword, when a consumer would search for "edible arrangements," Provide's ad would populate in the search results as an "Ad related to edible arrangements" and that exact text appears at the top of Provide's advertisement. [Dkt. 119, Ex. 25]. Beneath the text that reads "ad related to edible arrangements," the consumer would then see the text of Provide's actual advertising slogan(s). Prior to 2010, Provide used the phrase "edible arrangements" to describe its products in its advertising slogans. Sometime after receiving a cease and desist letter from EA in February, 2010, Provide began using variations of the mark, including "Edible Fruit Arrangements" (e.g., "Save More Than 50% On Edible Fruit Arrangements"). [1] [SOMF ¶ 24]. These advertisements are the subject of the instant suit.

***3** Provide highlighted the term "Edible Fruit Arrangements" in its advertisements in that the text containing that phrase was larger, underlined and in a different color than that the font used in the rest of the advertisement. *See* Figure I, *infra.* Provide claims that it only used this phrase "in close proximity to its own brands, such as ProFlowers or Shari's Berries." [Id. ¶ 27]. However, EA has provided an example of at least one such advertisement in which "Provide's brand names – ProFlowers, Shari's Berries and Cherry Moon Farms – did not appear anywhere in the ad except for the [URL] website address." [Dkt. 119, Ex. 5]. Moreover, the web address appears in smaller text beneath EA's mark and does not necessarily identify the seller as a particular brand. [Id.]. The Provide advertisement that is cited by EA as an example appears below at Figure II. Provide claims that it no longer uses the phrase "Edible Fruit Arrangements" in its advertisements.

Figure II.

e. Provide's "Competitor" Marketing Campaign and EA's Evidence of Confusion

EA argues that in internal records, Provide identified EA as one of its biggest competitors and engaged in a marketing campaign described as the "Edible Arrangements Campaign" that is also labeled "competitor" (hereinafter "the Competitor Campaign"). [Dkt. 136, Ex. AA, Ex. BB, Ex. CC at PC2828 (referencing "Edible Arrangement keyword set"), Ex. T, Ex. U]. Provide's Manager of Search Engine Marketing, Charles Twu, acknowledged that the purpose of the EA Competitor Campaign was to generate revenue by driving traffic to Provide's competing websites. [Ex. DD, Twu Dep. Tr. 199:4-200:5].

Keyword bidding on variations of the term "edible arrangements" is one of Provide's most successful tools for converting sales. [*See* Dkt. 136, Ex. BB, Ex. FF at PC2767, Ex. GG at PC2305]. In one document reviewing Provide's 2012 Mother's Day promotions, " 'EDIBLE ARRANGEMENTS" is the top generator of "impressions" for Shari's Berries. [Dkt. 136, Ex. EE at PC_0002774]. An "impression" occurs when an advertisement is displayed on a potential consumer's search results page. [See Ex. DD, Twu Dep. Tr. 43:16-18]. EA argues that Provide's "Competitor Campaign" has in turn generated numerous "conversions" for Provide. [Dkt. 133, Pl.'s R. 56(a)(2) Statement ¶ 20]. A "conversion" occurs when a consumer clicks on an ad and places an order. [Id.].

EA sent a letter to Provide on February 9, 2010, objecting to Provide's use of the phrase "edible arrangements" in "advertising several competing goods and services." [SOMF ¶ 29]. On March 25, 2010, Provide tacitly admitted that it used the phrase in its response, explaining the steps it had taken to ensure that the exact phrase "edible arrangements" would no longer appear in the text of its advertisements displayed through the Google AdWords program. [Id. ¶ 35]. Four, years later, on February 6, 2014, EA sent another letter to Provide, again objecting to Provide's: (i) purchase of the phrase "edible arrangements" as a non-consumer-facing keyword through the Google AdWords and Bing Ads programs; and (ii) use of the phrase "edible fruit arrangements" in the text of its advertisements displayed through the Google AdWords and Bing Ads programs. [Id. ¶ 39]. Two weeks after EA's second letter, EA filed the instant action against Provide.

***4** During discovery, EA produced call log records of seven telephone calls from consumers to its customer service department inquiring about the status of orders which were not placed with EA. EA representatives suspected (but were unable to confirm in every case) the consumers were instead attempting to place or may have actually placed an order with companies affiliated with Provide. [SOMF ¶¶ 73-74]. The records of these seven calls do not reflect whether the orders in question originated with the consumer clicking on one of Provide's keyword advertisements. [Id. ¶ 74].

f. Provide's Alleged Cybersquatting

In early 2014 EA became aware of several "typosquatting" domains – web addresses similar to EA's web address and mark but using deliberate misspellings – including edibelarrangements.com, ediblearangements.com, and ediblearragements.com (hereinafter the "Typosquatting Domains"). [*See* Dkt. No. 32 at ¶24]. It is undisputed that the registrants of the Typosquatting Domains are foreign domain privacy services, including a Panamanian entity known as Fundacion Private Whois ("Fundacion") and an Australian entity known as "Whois Privacy Services Pty Ltd." ("Whois Privacy"). [2] [See Dkt. No. 53-3; 53-4; 53-5]. It is also undisputed that Provide did not register the domain names. [SOMF ¶ 46].

EA asserts, however, that *agents* of Provide control the domain names. Specifically, EA contends that Provide hired two digital marketing companies in late 2013 to increase its web traffic – adMarketplace, Inc. and 7Search, Inc. [*See* Dkt. 136, Ex. KK, (adMarketplace contract); Ex. LL, pp. 21-28 (invoices)]. The two companies placed advertisements on the Typosquatting Domains and redirected traffic landing at the domains to Provide's own websites. During discovery, EA obtained records showing that the Typosquatting Domains redirected to berries.com over 1700 times and that the redirections appeared to occur through adMarketplace and 7search. [*See* Dkt. 136, Ex. II; Ex. EE]. Provide admits that it "suspects" the two companies "may have been involved in the redirection of the domain names." [SOMF ¶ 56]. Provide sent letters to both companies instructing them to discontinue the redirection of traffic to Provide's websites. [Id. ¶ 57]. EA claims that the redirection of traffic from the Typosquatting Domains ceased immediately thereafter.

III. Legal Standard

Summary judgment should be granted "if the movant shows that there is no genuine dispute as to any material fact and the movant is entitled to judgment as a matter of law." Fed. R. Civ. P. 56(a). The moving party bears the burden of proving that no factual issues exist. *Vivenzio v. City of Syracuse,* 611 F.3d 98, 106 (2d Cir. 2010). "In determining whether that burden has been met, the court is required to resolve all ambiguities and credit all factual inferences that could be drawn in favor of the party against whom summary judgment is sought." *Id.* (citing *Anderson v. Liberty Lobby, Inc.,* 477 U.S. 242, 255, 106 S. Ct. 2505, 91 L.Ed.2d 202 (1986); *Matsushita Electric Indus. Co. v. Zenith Radio Corp.,* 475 U.S. 574, 587, 106 S. Ct. 1348, 89 L.Ed.2d 538 (1986)). "If there is any evidence in the record that could reasonably support a jury's verdict for the nonmoving party, summary judgment must be denied." *Am. Home Assurance Co. v. Hapag Lloyd Container Linie, GmbH,* 446 F.3d 313, 315–16 (2d Cir. 2006) (internal quotation marks and citation omitted).

***5** "A party opposing summary judgment cannot defeat the motion by relying on the allegations in his pleading, or on conclusory statements, or on mere assertions that affidavits supporting the motion are not credible. At the summary judgment stage of the proceeding, Plaintiffs are required to present admissible evidence in support of their allegations; allegations alone, without evidence to back them up, are not sufficient." *Welch–Rubin v. Sandals Corp.,* No.3:03cv481, 2004 WL 2472280, at *1 (D. Conn. Oct. 20, 2004) (internal quotation marks and citations omitted); *Martinez v. State of Connecticut*, No. 3:09cv1341 (VLB), 2011 WL 4396704 at *6 (D. Conn. Sept. 21, 2011). Where there is no evidence upon which a jury could properly proceed to find a verdict for the party producing it and upon whom the onus of proof is imposed, such as where the evidence offered consists of conclusory assertions without further support in the record, summary judgment may lie. *Fincher v. Depository Trust and Clearance Co.*, 604 F.3d 712 (2d Cir. 2010).

IV. Discussion

a. EA's Claim for Trademark Infringement

To succeed on its trademark infringement claim, EA must prove that: (i) "its mark is entitled to protection," and (ii) "even more important, that the defendant's use of its own mark will likely cause confusion with the plaintiff's mark." *Gruner + Jahr USA Pub. v. Meredith Corp.*, 991 F.2d 1072, 1074 (2d Cir. 1993). This same test also applies to EA's claims for: (i) federal trademark infringement under 15 U.S.C. § 1114; (ii) federal false designation of origin and unfair competition under 15 U.S.C. § 1125(a); (iii) common law trademark infringement; and (iv) state unfair competition and deceptive trade practices under Conn. Gen. Stat. 42-110b(a). *See* *Virgin Enters. Ltd. v. Nawab,* 335 F.3d 141, 146 (2d Cir. 2003) (applying the two-prong test to claims under 15 U.S.C. §§ 1114, 1125(a)); *Verilux,* *Inc. v. Hahn*, No. 05-Civ-254, 2007 WL 2318819, at *10 (D. Conn. Aug. 10, 2007) (test for common law trademark infringement and unfair competition under Connecticut law is identical to that under the Lanham Act).

Provide does not dispute that EA's trademark is valid and protectable; rather, the parties have presented three issues for resolution. Those issues are (i) whether Provide's use of "EDIBLE FRUIT ARRANGEMENTS" in consumer-facing ads creates a likelihood of confusion, (b) whether EA can assert a trademark infringement claim based solely on Provide's purchase of the EA Mark as a non consumer-facing keyword and whether such purchases create a likelihood of confusion, and (c) whether Provide's advertisements constitute fair use of the mark. [*See* Def.'s Mem. at 15-16]. The Court considers each issue in turn.

i. Whether Provide's Use of "EDIBLE FRUIT ARRANGMENTS" is Likely to Cause Confusion

"[T]he crucial issue in an action for trademark infringement or unfair competition is whether there is any likelihood that an appreciable number of ordinarily prudent purchasers are likely to be misled, or indeed simply confused, as to the source of the goods in question." *Mushroom Makers, Inc. v. R. G. Barry Corp.*, 580 F.2d 44, 47 (2d Cir. 1978). Federal courts determine whether a mark is likely to cause confusion based on an assessment of the *Polaroid* factors. These factors include: (i) the strength of the plaintiff's mark; (ii) the degree of similarity between the competing marks; (iii) the proximity of the products, and the likelihood that the prior owner will "bridge the gap"; (iv) actual confusion; (v) the defendant's good faith; (vi) the quality of the defendant's products; and (vii) the sophistication of the consumers. *The Sports Auth., Inc. v. Prime Hosp. Corp.*, 89 F.3d 955, 960 (2d Cir. 1996) (*citing Polaroid Corp. v. Polarad Elecs. Corp.*, 287 F.2d 492, 495 (2d Cir. 1961)).

***6** Summary judgment of non-infringement in a trademark case is proper when the balance of factors weighs in the defendant's favor such that no reasonable jury could find a likelihood of confusion; however, a court need not find that all factors weigh in the defendant's favor. *See, e.g.*, *Streetwise Maps, Inc. v. VanDam, Inc.*, 21 159 F.3d 739, 746 (2d Cir. 1998) (balance of factors weighed in the defendant's favor even though the mark was entitled to some protection and the parties' products were in direct competition).

1. The Strength of EA's Mark

The strength of a mark refers to "its tendency to identify the goods [or services] sold under the mark as emanating from a particular, although possibly anonymous, source." *The Sports Authority,* 89 F.3d at 961 (*quoting McGregor–Doniger Inc. v. Drizzle Inc.*, 599 F.2d 1126, 1131 (2d Cir. 1979)). There are two components of a marks' strength: its inherent distinctiveness and the distinctiveness it has acquired in the marketplace." *Brennan's, Inc. v. Brennan's Rest.*, 360 F.3d 125, 130-31 (2d Cir. 2004) (citations omitted).

An incontestable, registered trademark enjoys a presumption of inherent distinctiveness. *Savin Corp. v. Savin Grp.*, 391 F.3d 439, 457 (2d Cir. 2004). The parties dispute the extent to which EA has been able to register the marks. Provide notes that "when EA first applied to federally register "edible arrangements" as a trademark in 1999, the USPTO refused registration on the basis of descriptiveness" which led EA to amend its application to seek registry on the secondary supplemental federal trademark register "thereby conceding that the phrase 'edible arrangements' is descriptive." [SOMF ¶ 8; Dkt 119-4, Ex. B]. EA, however, has submitted at least one registration of the phrase "edible arrangements" which has been accepted on the principal register, has been in continuous use with no adverse decisions against the mark for more than five years and which bears no disclaimer. [*See* Dkt. 134, Ex. C (U.S. Reg. No. 2934715)]. That registration is therefore incontestable. *See* 15 U.S.C. § 1065.

The strength of an incontestable registered trademark may be overcome by the use of a descriptive or weak portion of the mark, or generic and descriptive words taken from a stylized logo. *See W.W.W. Pharmaceutical Co. v. The Gillette Co.*, 984 F.2d 567 (2d Cir. 1993) (incontestable registered trademark for "Sportstick" lip balm not infringed by Gillette's "Sport Stick" deodorant); *Gruner + Jahr USA Pub., a Div. of Gruner + Jahr Printing & Pub. Co. v. Meredith Corp.*, 991 F.2d 1072, 1077-78 (2d Cir. 1993) (where stylized logo of the word "parents" for a magazine title was an incontestable mark, use of the word "parents" divorced from that logo was "clearly weak"). Provide, which bears the burden of proof in moving for summary judgment, has not argued or offered evidence that EA's incontestable registration concerns only a stylized logo from which Provide has taken descriptive words and has therefore failed to rebut the presumption in favor of inherent distinctiveness. [3]

***7** Moreover, the Court finds that EA's mark has acquired secondary meaning or distinctiveness in the marketplace. In evaluating whether a mark has obtained secondary meaning, courts look to a number of factors, including: "(1) advertising expenditures, (2) consumer confusion studies, (3) unsolicited media coverage of the product, (4) sales success, (5) attempts to plagiarize the mark, and (6) length and exclusivity of the mark's use." *Connecticut Cmty. Bank v. The Bank of Greenwich*, 578 F. Supp. 2d 405, 413 (D. Conn. 2008).

EA has submitted evidence that the mark has been in continuous use for seventeen years and that EA has spent "over $160 million in advertising since 2008." [Dkt. 134, Ex. C. (Dipippa Decl.)]. EA has garnered unsolicited media attention by, for example, "repeatedly being named a Top Franchise by Entrepreneur Magazine ... [and] being named E! News' gift of choice for Golden Globe nominees." [Dkt. 134, Ex.'s D-L]. EA has earned billions of dollars in revenues since 2001. [Dkt 134, Ex. C]. EA has not submitted any consumer confusion studies, but it does cite a survey conducted by Provide which found that EA had 77% brand awareness among consumers nationally. [Dkt. 134, Ex. M. at PC 000967]. Provide has pointed to numerous attempts to plagiarize the mark by other parties, prompting EA to send "dozens" of cease and desist letters to a range of both large and small businesses. [SOMF ¶ 12]. Provide has offered no further evidence suggesting non-distinctiveness in the marketplace. On these facts, a reasonable jury could conclude that EA's mark has acquired secondary distinctiveness in the marketplace.

A reasonable jury could certainly conclude that the strength of EA's mark weighs in favor of finding a likelihood of confusion because the mark has both inherent distinctiveness by virtue of its incontestable registration, as well as secondary distinctiveness in the marketplace.

2. The degree of similarity between the competing marks

In assessing the similarity of the marks at issue, courts look to two key questions: (1) whether the similarity between the two marks is likely to cause confusion and (2) what effect the similarity has upon prospective purchasers. *The Sports Auth.*, 89 F.3d at 962.

Provide notes that "each trademark must be compared in its entirety; juxtaposing fragments of each mark does not demonstrate whether the marks as a whole are confusingly similar." [Def.'s Mem. At 24, *citing Universal City Studios, Inc. v. Nintendo Co.*, 746 F.2d 112, 117 (2d Cir. 1984) (affirming summary judgment finding that "Donkey Kong" does not create a likelihood of confusion with "King Kong")]. Provide argues that its use of the phrase "edible fruit arrangements" is distinguishable from EA's mark "because it was not used in a trademark sense, and because it contains the additional term "fruit," which EA's mark does not contain." [Def.'s Mem. At 24].

With regard to the addition of the word "fruit" to the mark, EA argues, persuasively, that "a subsequent user may not avoid likely confusion about the origin or the product by appropriating another's entire mark and adding descriptive or non-descriptive matter to it." [Pl.'s Mem. At 19, *citing Fisons Horticulture, Inc. v. Vigoro Industries, Inc.*, 30 F.3d 466, 477 (3d Cir. 1994) (citation omitted)]. To state the obvious, fruit offered for sale is supposed to be edible. The word "edible" is a superfluous modifier of the word "fruit" in an advertisement for a fresh fruit product offered for sale by a company named "Sheri's Berries." A typical consumer would likely realize that "Sheri's Berries" was offering for sale fruit which was edible, as opposed to inedible, plastic or imitation fruit decorations. A reasonable jury could find that the addition of the word fruit does not serve a clear "differentiating role." *Morningside Group*, 182 F.3d at 141 (addition of the words "capital" and the substitution of "LLC" for "limited" did little to differentiate "The Morningside Group Limited" from "Morningside Capital Group, L.L.C."); *see also*, *Connecticut Community Bank*, 578 F. Supp. 2d at 418 (addition of the word "Trust" did little to differentiate "Greenwich Bank & Trust" from "The Bank of Greenwich").

***8** Provide also argues that the marks can be differentiated because it used the phrase "edible fruit arrangements" in conjunction with reference to its "house" brands (e.g., 'Shari's Berries'). Those terms, however, were not always used in conjunction with one another. In at least one of the advertisements provided to the Court by EA, Provide's "house brand" only appears in the web address of a link contained in the advertisement. Further, it appeared beneath the much larger and more readable text advertising, with each word capitalized, "Edible Fruit Arrangements." *See* Figure II above. The "house brand" is not prominently displayed and when it is displayed it is virtually obscured by the far more prominent term "Edible Fruit Arrangements."

A reasonable trier of fact could therefore find that Provide has not distinguished its use of the mark with its own branding. The operative and identifying words of both marks are the words "edible" and "arrangements" and as such the marks are highly similar. This factor weighs heavily in favor of EA.

3. Similarity of Competing Products

The third *Polaroid* factor focuses on whether the two products compete with each other. "To the extent goods (or trade names) serve the same purpose, fall within the same general class, or are used together, the use of similar designations is more likely to cause confusion." *Savin Corp.*, 391 F.3d at 458. Provide does not dispute that its fruit products are similar to EA's fruit products. However, Provide argues, without citation to authority, that this factor "should not weigh heavily in the analysis because the products that are similar are exactly the products that are described both by EA's mark and by the descriptive phrase used by Provide." [Def.'s Mem. At 32]. On the contrary, the fact that Provide is a direct competitor selling goods within the same general class (even the same specific category of gift) and serving the same purpose weighs heavily in favor of finding that Provide's use of EA's mark is likely to cause confusion. *See Connecticut Community Bank*, 578 F. Supp. 2d at 418 (noting that 'Greenwich Bank & Trust' and 'The Bank of Greenwich' "provide virtually identical banking services ... to an identical consumer base ... [t]his factor weighs heavily in [Plaintiff's] favor.").

4. Actual Confusion

Evidence that confusion has actually occurred is "convincing evidence that confusion is likely to occur." *Morningside Group*, 182 F.3d at 141. Provide argues that EA has not "offered any survey evidence showing a likelihood of confusion." [Def.'s Mem. at 26]. However, "although the absence of surveys is evidence that actual confusion cannot be shown," a reasonable trier of fact "may still conclude that actual confusion exists in the absence of such evidence, so long as there is other evidence of actual confusion." *The Sports Auth.*, 89 F.3d at 964 (internal citations omitted).

EA notes that it has identified seven instances where consumers "contacted EA's customer call center with inquiries and/or complaints about purchases made from Provide under the mistaken impression that the companies were either the same or affiliated." [SOMF ¶¶ 73-74]. Provide argues that these incidents do not evidence actual confusion because, EA did not identify whether the orders about which the calls were made originated with the consumers clicking on one of Provide's keyword advertisements and that the consumers actually made the purchases from a Provide company believing that they were purchasing the products through EA. [Id.].

***9** However, "evidence of actual confusion need not be limited to evidence of mistaken completed transactions" and the inquiry "need not be confined to evidence that [the Defendant] was able to 'pass off' its services as those of [Plaintiff]." *Morningside Group*, 182 F.3d at 141. Rather, evidence of actual confusion "regarding affiliation or sponsorship is also entirely relevant to the ultimate likelihood-of-confusion inquiry." *Id.*; *see also The Sports Auth.*, 89 F.3d at 964 (Plaintiff's evidence of "misdirected phone calls" and evidence that customers believed there was "a connection between the restaurants and the stores" was sufficient to create a genuine issue of fact). Provide also argues that "such a small number of anecdotes is insufficient evidence of actual confusion when weighed against EA's substantial market success." [Def.'s Mem. at 27, *citing Alzheimer's Found. of Am., Inc. v. Alzheimer's Disease & Related Disorders Ass'n, Inc.*, No. 10 CIV. 3314 RWS, 2015 WL 4033019, at *9 (S.D.N.Y. June 29, 2015) ("[A] small handful of anecdotes... is insufficient to establish the presence of actual confusion, particularly when weighed against the nearly $100 million in successful donations that [Plaintiff] receives annually.")].

The Court agrees that the seven incidents of misdirected consumer calls and inquiries seem *de minimis* in comparison with the volume of business transacted by both EA and Provide. The jury may appropriately consider the number of instances of confusion identified by EA in determining the weight of EA's evidence as to actual confusion. At this stage, EA's evidence is sufficient to create a material issue of fact as to the extent of actual confusion as to the origination and sponsorship of Provide's products caused by Provide's use of the mark. The Court does not consider this factor to weigh appreciably in favor of EA.

5. 'Bridging the Gap'

As the two parties operate in the same market and directly compete, there is no gap to bridge, and therefore this factor weighs firmly in favor of EA. *See Connecticut Community Bank*, 578 F. Supp. 2d at 418 ("[T]he two banks are already in direct competition ... there is no gap to bridge, and this factor weighs in favor of [plaintiff].").

6. The Defendant's Lack of Good Faith

In assessing good faith, courts look to "whether the defendant adopted its mark with the intention of capitalizing on plaintiff's reputation and goodwill and any confusion between his and the senior user's product." *The Sports Auth.*, 89 F.3d at 964 (citations omitted).

Several facts lead the Court to conclude that a reasonable juror could find that Provide has acted in bad faith in the instant case. *First*, as discussed above, the word "edible" is an unnecessary descriptor of the word "fruit" and the word "arrangements" is hardly the most precise descriptor of boxes in which Provide has "deliberately placed" chocolate-dipped strawberries. To once more state the obvious, every marketed product is arranged to look appealing or to avoid damage in transit or both. A consumer would not expect a box of hand-dipped strawberries in which the strawberries were haphazardly dumped into a box and partially melted into a mess of coated fruit. Such pragmatic 'arrangements' are not descriptive of the product but merely standard packaging. From these two facts alone a reasonable jury could infer intent to exploit the goodwill created by EA's existing mark. *Spring Mills, Inc. v. Ultracashmere House, Ltd.*, 689 F.2d 1127, 1134 (2d Cir. 1982) (evidence of bad faith in deliberate use of wording similar to a protected mark where the chosen wording does not appropriately describe the product at issue). *Second*, EA's evidence that Provide may have hired third party web advertisers to generate web traffic from "typosquatting" domains based on the EA mark to Provide's own websites may provide a reasonable trier of fact with further indicia of bad faith on the part of Provide. *Third*, a reasonable juror can infer that the keyword bidding, typosquatting redirection of traffic, and advertisements based on the EA mark may have all been components of a deliberate marketing campaign on Provide's part to generate "impressions" and "conversions" from consumers searching for EA products based on the EA mark. This factor weighs in favor of EA.

7. Product Quality

***10** Provide argues that the products offered for sale by the two parties are of similar quality. EA argues that its products are of higher quality because, with respect the parties' "dipped" or fruit products, Provide sells fruit dipped in "imitation chocolate," while EA uses "real chocolate." [Pl.'s Mem. at 32]. This difference in quality, if true, raises sufficient evidence to at least create a material issue of fact as to differences in product quality. However, this factor does not weigh appreciably in EA's favor.

8. Consumer Sophistication

The seventh *Polaroid* factor requires a court to analyze the sophistication of the consumers purchasing the competing products. *Polaroid*, 287 F.2d at 495 (2d Cir. 1961). Highly sophisticated consumers are less likely to be confused. *Plus Prods. v. Plus Disc. Foods, Inc.*, 722 F.2d 999, 1007 (2d Cir. 1983).

Provide argues, without citation to facts in the record, that "both EA's and Provide's consumers are individuals seeking to purchase high-quality gifts for special occasions." [Def.'s Mem. at 31]. Provide also argues that there is "no evidence in the record to suggest that the parties' consumers are not sufficiently sophisticated." [Id.]

EA has pointed to evidence that "the parties' respective coated fruit goods are food items that generally are sold for between $20 and $40." [Pl.'s Mem. at 24; Dkt. 119, Ex.

2]. Where the products at issue are "relatively inexpensive items," a trier of fact "may be justified in concluding that the parties' customers are not likely to be sophisticated purchasers as to the goods in question." *The Sports Auth.*, 89 F.3d at 965; *Lever Bros. Co. v. Am. Bakeries Co.*, 693 F.2d 251, 259 (2d Cir. 1982).

A reasonable juror could conclude that a buyer of an "arranged" fruit gift package is no more sophisticated than a buyer of flowers, greeting cards or chocolates. *See, e.g.*, *Patsy's Brand, Inc. v. I.O.B. Realty, Inc.*, 317 F.3d 209, 219 (2d Cir. 2003) (New York consumers of specialty pastas deemed unsophisticated because the pastas were inexpensive and sold in grocery stores, despite arguments that New Yorkers were "savvy and knowledgeable about restaurants and food."). While Second Circuit case law has associated the purchase of low-cost goods in a supermarket environment with low customer sophistication, "price alone is not determinative of the care a consumer will take in making purchases, and our touchstone remains the general impression that is left with the ordinary consumer." *The Sports Auth., supra at* 965.

Edible Arrangements and Provide's products are not expensive luxury products, but they are also not every day consumables one purchases in a supermarket. They are moderately priced gift items which would be purchased with some, but not a great deal of scrutiny. The marketplace in which the products are sold also weighs against sophistication. Internet purchasing is both fast-paced and rapidly evolving. Increasingly, purchases are often made impulsively on small screen cellular telephones or even using cell phone applications. Given the relatively low price of the items and the evolving online marketplace, the court finds that this factor weighs in favor of EA.

9. Overall Assessment

***11** The Court has found that five of the seven *Polaroid* factors weigh in favor of EA and that EA has at least raised a material issue of fact as to the remaining two. In particular, the strength of EA's mark, the similarity of the competing marks, the similarity of the competing products and the defendant's bad faith each strongly suggest a likelihood of confusion from Provide's use of its mark. Provide's Motion for Summary Judgment as to EA's trademark infringement claims (Counts I, II, IV and V) is therefore DENIED.

ii. Keyword Purchases Under the Lanham Act

Provide next argues that its bidding on the phrase "edible arrangments" as a "non-consumer-facing keyword" for its search engine advertisements does not create a likelihood of confusion under the Lanham Act. The Second Circuit has held that keyword bidding may constitute a "use in commerce" which would be "subject to the same analysis under Lanham Act as any other allegation of infringement." *Rescuecom Corp. v. Google Inc.*, 562 F.3d 123, 127 (2nd Cir. 2009). Provide nonetheless argues that "no one court in the entire country has ever held a defendant liable for trademark infringement by finding a likelihood of confusion based solely on the defendant's keyword bidding." [Def.'s Mem. at 31]. Provide's argument, however, misses the point – the conduct at issue is not a defendant's keyword bidding, considered in a vacuum, but rather the effect of the keyword bidding in conjunction with the defendant's advertisement.

In *Rescuecom*, the Second Circuit reversed a district court's dismissal of a complaint against Google's sale of a plaintiff's mark in its AdWords program. 562 F.3d at 130. The court held that the sale of the mark as a keyword could constitute a "use in commerce" under the Lanham Act *and also* could create a likelihood of confusion if searchers were "misleadingly directed to the ads and websites of its competitors in a manner which leads them to believe mistakenly that these ads or websites are sponsored by, or affiliated with the plaintiff." *Id.* Similarly, the Ninth Circuit has held that "[t]he potential infringement in this context arises from the risk that while using [Plaintiff's] mark to search for information about [Plaintiff's] product, a consumer might be confused by a results page that shows a competitor's advertisement on the same screen, when that advertisement does not clearly identify the source or its product. *Network Automation, Inc. v. Advanced Sys. Concepts, Inc.*, 638 F.3d 1137, 1149 (9th Cir. 2011). Thus, the crux of the issue is whether a defendant's keyword purchases, *combined with the look and placement of that defendant's advertisement*, create a search results page which misleads, confuses or misdirects a consumer searching for a trademarked brand to the website of a competitor in a manner in which the source of the products offered for sale by the competitor is unclear.[4]

***12** The Second Circuit, however, has not adopted an explicit test for determining whether a likelihood of confusion exists from a defendant's purchase of a trademark as a keyword term. Both parties urge application of the *Polaroid* factors and note that at least two courts in this circuit have examined instances in which a competitor uses a trademark to purchase keywords by looking to the same seven *Polaroid* factors. *See Alzheimer's Foundation*, 2015 WL 4033019 at *8; *CJ Products LLC v. Snuggly Plushez LLC*, 809 F. Supp. 2d 127, 158 (E.D.N.Y. 2011). Several of the Polaroid factors, however, are not particularly helpful in this context, and the court in the *Alzheimer's* case primarily considered the actual confusion factor. With regard to actual confusion, the *Alzheimer's* court looked to the doctrine of "initial interest confusion," in which "a likelihood of confusion can arise when 'a consumer who searches for the plaintiff's website with the aid of a search engine is directed instead to the defendant's site because of a similarity in the parties' website address." 2015 WL 4033019, at *7 (quoting CJ Products, 809 F.Supp.2d at 160). The *Alzheimer*'s court also considered the similarity of the marks factor by looking to the similarity of the URLs and the text in the links of the two competitors on the search results page. *Id.*, *see also CJ Products*, 809 F.Supp.2d at 160 (examining the similarity of the marks in the AdWords context and considering "the degree of similarity between [p]laintiff[s]' service mark and the ... advertisements appearing on the search-results page").

However, the *Alzheimer*'s court also noted that "[c]ompanies can and do regularly purchase other companies' marks as search keywords and use those companies' trademarks in the text of their search advertising in order to draw a contrast with the searched-for product and offer their own as an alternative." 2015 WL 4033019, at *6. As an example, the *Alzheimers* court noted that "a Yahoo! search for the term "Honda Civic" brings up ads linking to websites from Hyundai, Volkswagen, and Toyota, comparing the Civic to their cars and suggesting that the consumer purchase an Elantra, Jetta, or Corolla instead." *Id.* The court held that those ads did not implicate the Lanham Act "because they draw a clear distinction between the products and do not imply the trademark holder's sponsorship or approval." *Id.*

Thus, prior courts have been primarily concerned with keyword bidding in conjunction with advertising that creates a search results page that is misleading to the consumer. In considering the question of whether such conduct violates the Lanham Act, several *Polaroid* factors can be helpful when viewed from the perspective of a user of the internet search engine at issue (the "user"), in particular: (i) the strength of the plaintiff's mark as a unique search term related to a distinct line of products, and (ii) the similarity of the marks and whether the defendant's mark draws a clear distinction as a competing brand. One additional factor described by the Ninth Circuit in *Network Automation* can also be helpful: (iii) what the consumer saw on the screen and reasonably believed, given the context. 638 F.3d at 1150.

***13** With regard to the strength of the mark, the court considers whether a user entering EA's mark as a search term "is more likely to be looking for a particular product" rather than a category of products, and therefore "could be more susceptible to confusion when sponsored links appear that advertise a similar product from a different source." *Network Automation*, 638 F.3d at 1149. The Court earlier found that there was evidence that EA's mark had acquired secondary distinctiveness in the marketplace. Similarly, the Court here finds that a reasonable trier of fact could conclude that a consumer searching for "edible arrangements" is looking for a distinct product line of aesthetically shaped fruit and not merely for any and all gifts containing boxes of edible fruits and berries. And with regard to the similarity of the marks, the Court finds that the Provide advertisements it has examined make a very poor effort to differentiate either a competing product or seller.

The Ninth Circuit also looked to "what the consumer saw on the screen and reasonably believed, given the context." *Id.* at 1150, *quoting Hearts on Fire Co. v. Blue Nile, Inc.*, 603 F.Supp.2d 274, 289 (D. Mass. 2009). As to this factor, one district court in the District of Massachusetts considered possible "downstream" confusion, and whether the user would be unknowingly misdirected to the website of a competitor. See *Hearts on Fire Co.*, 603 F.Supp.2d at 289 (noting the importance of whether "the consumer clicked on the sponsored link thinking that he would find products" affiliated with the mark, but upon landing at the competitor's website "nothing there would immediately alert him to his mistake”). Here, Provide's choice not to identify Pro Flowers or Sherri's Berries as the advertiser in the text of the advertisement or the link, and only in the small print of the URL, contributes to a misleading environment for the consumer. In particular, a user searching for EA's products might not even know that they had clicked on a link for a competitor's product until they actually landed on the webpage of one of Provide's sellers, or even after that point

A reasonable trier of fact could conclude that Provide's purchase of “edible arrangements” as a non-consumer facing keyword could result in a likelihood of confusion by directing consumers to a search results page in which it advertised “edible fruit arrangements” in an text advertisement in which the seller is only identified in the small print of the URL. *See* Figure II. A jury could find that the purpose and effect of Provide's keyword bidding – in conjunction with its use of EA's mark in its advertisement on the search results page – was to mislead consumers as to sponsorship or affiliation with EA and to misdirect the web traffic of users searching for EA's mark.

iii. Provide's Defense of Fair Use

A company's use of such descriptive words and phrases to describe that company's products may constitute “descriptive fair use” and be permissible even where a plaintiff owns a federal registration for a trademark that is similar to the phrase that the defendant uses to describe its goods. 15 U.S.C.A. § 1115(b)(4). Courts use a three-part test to determine whether use of a mark is a descriptive fair use, namely, if the use was made: (1) other than as a mark, (2) in a descriptive sense, and (3) in good faith. *Kelly-Brown v. Winfrey*, 717 F. 3d 295, 308 (2nd Cir. 2013). Provide argues that it did not use the phrase “edible fruit arrangements” as a trademark, and EA did not contest this. [5] Rather, the parties dispute whether Provide's use of the phrase was descriptive and in good faith.

***14** Provide argues that its use of “edible fruit arrangements” was descriptive because the phrase describes the composition of several of its products, which “are fruit products (“fruit”)” that “are organized in a certain manner (“arranged”)” and are “intended for consumption (“edible”).” [Def.'s Mem. at 18]. Provide has not identified which of its products, specifically, qualify in its view as edible arrangements of fruit. EA argues that Provide does not sell “arrangements” at all and submitted as an exhibit in opposition to Provide's Motion for Summary Judgment a photograph of one of Provide's fruit products in which chocolate-dipped berries were, in Provide's own words, “organized so that the berries are evenly spaced and angled toward a particular corner of the box.” [Def.'s Rep. Mem. at 3; Dkt. 136, Ex. TT]. Provide describes this as an “arrangement.” [Id.].

Miriam Webster defines an “arrangement” as “the way that things or people are organized for a particular purpose or activity.” [6] The dictionary definition of the word does not include any component requiring *artistic* placement or organization. Thus, Provide is correct that for its products to constitute an “arrangement,” the definition of the word requires only a purposeful or intentional presentation, which would seemingly include a box of strawberries that are evenly spaced and facing the same direction.

A consumer and a reasonable juror, however, may understand the word “arrangement” to connote both purposefulness as well as something more, such as a collection of items that is organized in an artistic or creative manner –presented so as to enhance aesthetic value through color, shape or format. Thus, Provide's use of the word “arrangement” may be literally accurate but descriptively misleading. Similarly, while the word “edible” is an accurate description of the fruit Provide sells, a reasonable juror may find that the word is, as the Court discussed above, largely redundant of the word “fruit,” given that few consumers are likely searching for “inedible fruit.” *See EMI Catalogue P'ship v. Hill, Holliday, Connors, Cosmopulos Inc.*, 228 F.3d 56, 65 (2d Cir. 2000) (material issue of fact as to descriptive use where the alliterative phrase “Swing Swing Swing” was unnecessary to describe the actions of three actors hitting golf shots when the single word “swing” would have sufficed). The defense of fair use is designed to protect “the public's right to use descriptive words or images in good faith in their ordinary descriptive sense.” *Car-Freshner Corp. v. S.C. Johnson & Son, Inc.*, 70 F.3d 267, 269 (2d Cir. 1995). EA has raised a material issue of fact as to whether Provide's use of the phrase “edible fruit arrangements” relies upon the ordinary meanings of those words to describe a product containing a box of “deliberately placed” strawberries.

But even if Provide's use of the phrase was appropriately descriptive, a reasonable juror could find that Provide chose to use the words "edible" and "arrangements" in bad faith in order to maximize consumer confusion and generate sales from misdirected web traffic, when other terms not involving EA's mark could have better described Provide's products (such as, e.g., "chocolate-dipped berries" instead of "edible fruit" and "gift boxes" instead of "arrangements"). In addition, for the reasons discussed above in examining the *Polaroid* factors, a reasonable juror could certainly find that in the instant case Provide deliberately chose the phrase "edible fruit arrangements" as part of a marketing campaign designed to capitalize on the popularity of EA's products by misdirecting consumer traffic to Provide's websites through the use of EA's mark in advertising, keyword bidding and typosquatting. EA has therefore raised a material issue of fact as to whether Provide's use of the phrase "edible fruit arrangements" was truly descriptive and in good faith.

b. EA's Claim for Trademark Dilution

***15** The Trademark Dilution Revision Act ("TDRA") "allows the owner of a 'famous mark' to enjoin a person from using 'a mark or trade name in commerce that is likely to cause dilution by blurring or dilution by tarnishment of the famous mark.' " *Tiffany (NJ) Inc. v. eBay Inc.*, 600 F.3d 93, 110–11 (2d Cir. 2010) (quoting 15 U.S.C. § 1125(c)(1)). Dilution is defined as "the lessening of the capacity of a famous mark to identify and distinguish goods or services." 15 U.S.C. § 1125. To plead dilution under the TDRA, a trademark owner must allege four elements: (i) that the mark is famous; (ii) that the defendant is making use of the mark in commerce; (iii) that such use began after the mark became famous; and (iv) that there is a likelihood of dilution as a result of the defendant's use. *Id.; Tiffany (NJ) Inc.*, 600 F.3d at 111. The parties in the instant matter contest the extent to which EA's mark is famous and would be diluted as a result of Provide's use.

i. The Fame of EA's Mark

"[A] mark is famous if it is widely recognized by the general consuming public of the United States as a designation of source of the goods or services of the mark's owner." 15 U.S.C. § 1125(c)(2)(A). Courts may consider the following factors: (i) the extent and geographic reach of the advertising and publicity of the mark, (ii) the volume and geographic extent of the sales of goods offered under the mark, (iii) the extent of actual consumer recognition of the mark, and (iv) whether the mark was registered on the principal register. *Id.* On summary judgment, whether a mark has attained the requisite level of fame is a question of fact that must be left to the trier of fact if the plaintiff shows "more than a mere scintilla of evidence" of fame. *See Savin Corp.*, 391 F.3d at 450.

EA notes that it generated nearly a billion dollars in sales between 2001 and 2009. [Dkt. 136, Ex. C at 4]. In the years 2008 and 2009, EA spent $28 million in advertising. [Id.]. EA's mark is registered on the principal register. And, as noted earlier, Provide's own consumer survey found that EA had 77% brand awareness among consumers nationally. [Dkt. 134, Ex. M. at PC 000967]. At this stage, EA has pointed to sufficient evidence suggesting that its mark is famous as to raise a material issue of fact. *See, e.g., Savin Corp.*, 391 F.3d at 450 (Plaintiff's $20 million advertising spend, $675 million in revenues, and extensive advertising in mainstream and industry media were "sufficient indicators of fame to withstand a summary judgment challenge.").

ii. Dilution by Blurring

Dilution by blurring is "association arising from the similarity between a mark or trade name and a famous mark that impairs the distinctiveness of the famous mark." 15 U.S.C. § 1125(c)(2)(B). "Dilution by blurring refers ... to 'the whittling away of [the] established trademark's selling power and value through its unauthorized use by others.' " *Tiffany (NJ) Inc.*, 600 F.3d at 111. There are six non-exhaustive factors which courts consider in determining whether there has been dilution by blurring, including: (i) the degree of similarity between the marks, (ii) the degree of inherent or acquired distinctiveness of the famous mark, (iii) whether use of the famous mark is exclusive, (iv) the degree of recognition of the famous mark, (v) whether the user of the mark intended to create an association with the famous mark, and (vi) any actual association between the mark and the famous mark. 15 U.S.C. § 1125(c)(2)(B)(-vi).

***16** The first two factors – similarity and distinctiveness – overlap with the first two *Polaroid* factors examined above, and, for the reasons stated above, the court finds that these facts weigh in favor of EA at this stage. The fourth factor – degree of recognition – also weighs in EA's favor for the same reasons discussed above in the Court's determination that EA has pointed to sufficient evidence of fame in the form of wide public recognition of EA's mark. With regard to the fifth factor, EA has also pointed to evidence that Provide intended to create an association with EA's mark by engaging in a deliberate marketing strategy to misdirect consumers from EA's website through the use of EA's mark in advertising, keyword bidding and typosquatting. EA has raised a material issue of fact with regard to whether Provide's conduct constituted dilution by blurring.

iii. Dilution by Tarnishment

Dilution by tarnishment is an "association arising from the similarity between a mark or trade name and a famous mark that harms the reputation of the famous mark." 15 U.S.C. § 1125(c)(2)(C). "A trademark may be tarnished when it is linked to products of shoddy quality, or is portrayed in an unwholesome or unsavory context, with the result that the public will associate the lack of quality or lack of prestige in the defendant's goods with the plaintiff's unrelated goods." *Deere & Co. v. MTD Prods.*, 41 F.3d 39, 43 (2d Cir. 1994).

EA's sole evidence in support of its dilution by tarnishment claim is the fact that Provide coats its "dipped fruit" products in "imitation chocolate," instead of "real chocolate." [Pl.'s Mem. at 32]. In this regard, EA has identified a difference in quality between the two competing products. However, the statute prohibits dilution resulting in "reputational harm" and "[t]he *sina qua non* of tarnishment is a finding that plaintiff's mark will suffer negative associations through defendant's use." *Hormel Foods Corp. v. Jim Henson Prods., Inc.*, 73 F.3d 497, 507 (2d Cir. 1996). The critical missing link in EA's dilution by tarnishment claim is that the imitation chocolate used in Provide's products will taste, look or smell poorly to the consumer, resulting in a negative association with EA's mark. EA assumes this fact to be true, and its claim would require a trier of fact to assume the truth that fact as well. At this stage, however, EA's "mere scintilla" of evidence of dilution by tarnishment is sufficient to create a material issue of fact.

c. EA's Claim for Cybersquatting

The Anticybersquatting Consumer Protection Act ("ACPA") was passed in part to prohibit "the bad-faith and abusive registration of distinctive marks as Internet domain names with the intent to profit from the goodwill associated with such marks—a practice commonly referred to as 'cybersquatting'." *Sporty's Farm L.L.C. v. Sportsman's Mkt., Inc.*, 202 F.3d 489, 495 (2d Cir. 2000). 'Typosquatting' – in which the defendant registers intentional misspellings of a distinctive marks – has been found to be an actionable form of cybersquatting. *See Shields v. Zuccarini*, 254 F.3d 476, 483 (3d Cir. 2001); *Gioconda Law Grp. PLLC v. Kenzie*, 941 F. Supp. 2d 424, 430 (S.D.N.Y. 2013) ("courts have expressly held that the ACPA covers typosquatting").

***17** To prevail on its ACPA claim, EA must show that Provide: (1) had a bad faith intent to profit; and (2) registers, traffics in or uses a domain name that is identical or confusingly similar to EA's famous and/or distinctive mark. *See Sporty's Farm*, 202 F.3d at 496-498; 15 U.S.C. § 1125(d)(1)(A).

Provide argues that EA has failed to identify any evidence that it registered, trafficked in or used the domain names at issue. EA admits that "the true registrant of the Typosquatting Domains has not been conclusively determined," but nonetheless argues that Provide "and/or its agents trafficked in and/or used" the domains to divert EA's customers. [Pl.'s Mem. at 35]. In a prior ruling denying Provide's motion for judgment on the pleadings, this Court held that "if through discovery it becomes apparent that the true owner of the typosquatting domains registered the domain names on behalf of Provide Commerce, this domain name registrant would be considered an agent" of the defendant and would not have been a necessary party to the action in order to afford complete relief under Fed. R. Civ. P. 19(a). *Edible Arrangements, LLC v. Provide Commerce, Inc.*, No. 3:14-CV-00250 VLB, 2015 WL 1321441, at *4 (D. Conn. Mar. 24, 2015). Having conducted discovery into the matter, EA's sole evidence in support of its allegation that Provide's agents trafficked and/or used the domains at issue consists of the following facts:

1. Provide hired two digital marketing companies in late 2013 to increase its web traffic – adMarketplace, Inc. and 7Search, Inc. [Dkt. 136, Ex.'s DD, KK].

2. Shortly thereafter in January 2014, adMarketplace and 7Search records show that redirects from the typosquatting domains to Provide's websites began and continued until June 2014. [Dkt. 136, Ex.'s EE, II, NN].

3. Consumers attempting to reach ediblearrangements.com were redirected to Provide's competing website thousands of times. [Dkt. 136, Ex.'s EE, II, NN].

4. Provide admits that both adMarketplace and 7Search were somehow involved in the redirects because both companies' names appeared in the URL reference code of the redirects. [Dkt. 136, Ex DD Twu Dep. at 207:4-14].

5. The redirects stopped after EA filed a motion for a preliminary injunction and Provide sent a letter instructing adMarketplace to "[s]top sending [Provide] traffic from these domains." [Def.'s Mem. at 13].

It is clear from the facts above that Provide benefited from the Typosquatting Domains in the form of additional web traffic and that Provide's web marketing agents played a role in redirecting web traffic from the Typosquatting Domains to Provide's own website. However, the precise role that Provide's marketing agents played in the process of registering the domains at issue is still unclear. EA failed to offer evidence indicating that the redirection of web traffic from theTtyposquatting Domains could not have occurred unless adMarketplace and 7search were the "users" of those websites within the meaning of the ACPA, through, for example, hosting or maintaining the typosquatting domains or implementing the coding which resulted in the traffic redirection. EA had the opportunity to collect records from both adMarketplace and 7search, to discover Provide's contracts and communications with both companies, to depose Provide's web marketing team and the opportunity to develop expert testimony on the issue to assist a trier of fact in drawing further inferences from the evidence described above. EA failed to do so.

***18** Moreover, even if there was clear evidence linking adMarketplace and 7search with the "use" of the domain names within the meaning of ACPA, the statute makes clear that a defendant can only be liable for "use" of a cybersquatting domain "if that person is the domain name registrant or that registrant's authorized licensee." 15 U.S.C. § 1125(d)(1)(E). Thus, even if EA's evidence were sufficient to raise a material issue of fact with respect to whether an agent of Provide "used" the Typosquatting Domains to redirect web traffic to Provide, EA failed to offer evidencethat either Provide or its agent(s) are the actual registrants of the domains or licensees of the actual registrants. Under the plain language of the statute, EA has therefore raised insufficient evidence to sustain an ACPA claim. Count VI of the Complaint is DISMISSED.

V. Conclusion

For the reasons stated above, the defendant's Motion for Summary Judgment [Dkt. 116] is GRANTED IN PART with respect to EA's ACPA claim (Count VI) AND DENIED IN PART with respect to all other claims. Count VI is DISMISSED. This case will proceed to trial with respect to all other claims.

IT IS SO ORDERED.

All Citations

Slip Copy, 2016 WL 4074121

Footnotes

1 Provide also used EDIBLE ARRANGEMENTS as a keyword for products completely unrelated to fruit – namely the ProFlowers floral products –because the keyword "results in sales." [*See* Ex DD., Two Dep. Tr. at 217:1-18].

2 The parties dispute whether EA is able to subpoena the entities in the United States or file a Uniform Domain Name Resolution Policy ("UDRP") action in order to reveal the true registrant. EA argues that neither measure would be effective. [Pl.'s Mem. at 11, n. 13].

3 Indeed, Provide's reply memorandum did not contest EA's assertion that it possesses an incontestable registration and ignores the issue altogether.

4 In *Rescuecom*, the Second Circuit found that the plaintiff had a plausible claim under the Lanham Act *against the search provider* (as opposed to the advertiser) in part because the plaintiff alleged that "the advertiser's link appears in a horizontal band at the top of the list of search results in a manner which makes it appear to be the most relevant search result and not an advertisement." 562 F.3d at 130-131. Furthermore, the plaintiff alleged that Google failed to "adequately identify the sponsored link as an advertisement, rather than a relevant search result." *Id.* Thus a likelihood of confusion may have been created because a consumer searching for results by using the plaintiff's mark would have been misled into believing that the defendant's website was "most relevant" to the plaintiff's mark and therefore that the defendant's website was affiliated with the plaintiff. *Id.*

5 "A trademark use occurs when a mark indicates the source or origin of consumer products." *Dessert Beauty, Inc. v. Fox*, 568 F. Supp. 2d 416, 424 (S.D.N.Y. 2008) *aff'd*, 329 Fed.Appx. 333 (2d Cir. 2009). The Second Circuit has equated "use as a mark with the use of a term as a symbol to attract public attention." *JA Apparel Corp. v. Abboud*, 568 F.3d 390, 400 (2d Cir. 2009) (internal quotations omitted).

6 http://www.merriam-webster.com/dictionary/arrangement

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EXHIBIT 9

2007 WL 1159950
Only the Westlaw citation is currently available.
NOT FOR CITATION
United States District Court, N.D. California,
San Jose Division.

GOOGLE INC., a Delaware corporation, Plaintiff,
v.
AMERICAN BLIND & WALLPAPER Factory, Inc., a Delaware corporation d/b/a decoratetoday.com, Inc., and Does 1-100, inclusive, Defendants.
American Blind & Wallpaper Factory, Inc., a Delaware corporation d/b/a decoratetoday.com, Inc., Counter Plaintiff,
v.
Google Inc., America Online, Inc., Netscape Communications Corporation, Compuserve Interactive Services, Inc., Ask Jeeves, Inc. and Earthlink, Inc., Counter Defendant/Third Party Defendants.

No. C 03-5340 JF (RS).
|
April 18, 2007.

Attorneys and Law Firms

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ORDER [1] GRANTING IN PART AND DENYING IN PART MOTION FOR SUMMARY JUDGMENT

JEREMY FOGEL, United States District Judge.

***1** Plaintiff and Counter Defendant Google Inc. ("Google") moves for summary judgment. Defendant American Blind & Wallpaper Factory, Inc. ("ABWF") opposes the motion. For the reasons discussed below, the motion will be granted in part and denied in part.

I. BACKGROUND

1. *Procedural Background*

Google filed the instant action for declaratory relief on November 26, 2003, seeking a judicial determination that its "AdWords" advertising program does not infringe ABWF's trademarks. On April 12, 2004, the Court denied ABWF's motion to dismiss the complaint or, in the alternative, to stay proceedings in the case. On May 4, 2004, ABWF answered Google's complaint and asserted counterclaims against Google and third-party claims against Ask Jeeves, Inc., Earthlink, Inc., America Online, Inc., Netscape Communications Corporation, and Compuserve Interactive Services, Inc. (collectively "Third-Party Defendants") for: (i) trademark infringement in violation of the Lanham Act; (ii) false representation in violation of the Lanham Act; (iii) trademark dilution under the Lanham Act; (iv) injury to business reputation and dilution in violation of Cal. Bus. & Prof.Code § 14330; (v) unfair competition in violation of Cal. Bus. & Prof.Code § 17200; (vi) common law trademark infringement; (vii) tortious interference with prospective economic advantage; and, in the alternative, (viii) contributory trademark infringement; and (ix) contributory trademark dilution. In an order filed March 30, 2005 ("March 30th Order"), the Court granted the motions of Google and the Third-Party Defendants to dismiss ABWF's claim for tortious interference with prospective business advantage and denied motions to dismiss ABWF's other claims. On December 26, 2006, Google moved for summary judgment. [2] The Court heard oral argument on February 16, 2007.

2. *Factual Background*

The factual background of this action is discussed in detail in the March 30th Order. In summary, the action pertains to the sale by Google and the Third-Party Defendants of trademarked terms belonging to ABWF as keywords that trigger "Sponsored Links" on Google's search results pages. ABWF alleges that Google sells these terms to ABWF's competitors. Google acknowledges that it does this and has provided the Court with a copy of its stated procedure for handling trademark complaints. That procedure states:

> When we receive a complaint from a trademark owner, we will only investigate whether the advertisements at issue are using terms corresponding to the trademarked item in the advertisement's content. If they are, we will require the advertiser to remove the trademarked term from the content of the ad and prevent the advertiser from using the trademarked term in ad content in the future. *Please note that we will not disable keywords in response to a trademark complaint.*

"AdWords Trademark Complaint Procedure," Hamm Decl. Ex. E (emphasis added). The crux of this dispute is whether Google infringes ABWF's trademarks by refusing to disable trademarked keywords. To the extent that pertinent factual disputes remain, they are discussed below.

II. LEGAL STANDARD

***2** A motion for summary judgment should be granted if there is no genuine issue of material fact and the moving party is entitled to judgment as a matter of law. Fed.R.Civ.P. 56(c); *Anderson v. Liberty Lobby, Inc.,* 477 U.S. 242, 247-48, 106 S.Ct. 2505, 91 L.Ed.2d 202 (1986). The moving party bears the initial burden of informing the Court of the basis for the motion and identifying the portions of the pleadings, depositions, answers to interrogatories, admissions, or affidavits that demonstrate the absence of a triable issue of material fact. *Celotex Corp. v. Catrett,* 477 U.S. 317, 323, 106 S.Ct. 2548, 91 L.Ed.2d 265 (1986).

If the moving party meets this initial burden, the burden shifts to the non-moving party to present specific facts showing that there is a genuine issue for trial. Fed.R.Civ.P. 56(e); *Celotex,* 477 U.S. at 324. A genuine issue for trial exists if the non-moving party presents evidence from which a reasonable jury, viewing the evidence in the light most favorable to that party, could resolve the material issue in his or her favor. *Anderson,* 477 U.S. 242, 248-49, 106 S.Ct. 2505, 91 L.Ed.2d 202; *Barlow v. Ground,* 943 F.2d 1132, 1134-36 (9th Cir.1991).

III. DISCUSSION

1. *Trademark Use in AdWords Program*

In its March 30th Order denying Google's motion to dismiss, the Court indicated that it would consider at a later date, "both the relevant facts and the applicable law in the context of a fuller record." March 30th Order 16. The Court concluded that "given the state of the governing law, American Blind has made sufficient allegations of direct infringement and dilution by Defendants' advertisers and contributory liability on the part of Defendants such that it does not appear 'beyond doubt' that American Blind 'can prove no set of facts in support of [its] claim[s] that would entitle [it] to relief.' " *Id.* at 15. The Court observed that this approach was consistent with that taken by the district court in *Government Employees Insurance Co. v. Google, Inc.,* 300 F.Supp.2d 700 (E.D.Va.2004) (hereinafter "*GEICO*"). March 30th Order 16.

In its motion for summary judgment, Google asks the Court to declare that, as a matter of law, Google's sale of trademarked keywords in its AdWords program does not constitute use in commerce under the Lanham Act.[3] Google points to intervening decisions in other districts that do not follow *GEICO.* The Court has reviewed the intervening cases cited by both parties and has considered the conflict among them in light of the limited guidance offered by existing Ninth Circuit precedent.

a. Developments in the Law Since the March 30th Order

Two district courts in the Second Circuit have concluded that the sale of trademarks as keywords for sponsored links does not constitute use for the purpose of the Lanham Act. *Merck & Co., Inc. v. Mediplan Health Consulting, Inc.,* 425 F.Supp.2d 402, 408 (S.D.N.Y.2006), involved a number of manufacturers of a generic version of the drug Zocor that paid "Google[4] and Yahoo to have links to their websites displayed, as sponsored links, among the first results when a consumer searche[d] the keyword 'Zocor.' " The court based its analysis on *1-800 Contacts v. When U.com, Inc. .,* 414 F.3d 400 (2d Cir.2005),[5] a case that dealt with the use of trademark terms to trigger pop-ups. In that case, the Second Circuit concluded that a "company's internal utilization of a trademark in a way that does not communicate it to the public is analogous to a[n] individual's private thoughts about a trademark. Such conduct simply does not violate the Lanham Act ....“ *Id* . at 409. The *Mediplan* court relied on this logic to conclude that the “internal use of the mark ‘Zocor’ as a key word to trigger the display of sponsored links is not use of the mark in a trademark sense,” *Mediplan,* 425 F.Supp.2d at 415, and granted that aspect of the defendants' motion for judgment on the pleadings. [6]

***3** *Rescuecom Corp. v. Google, Inc.,* 456 F.Supp.2d 393 (N.D.N.Y.2006), decided shortly after *Mediplan,* reached the same result, also on the basis of *1-800 Contacts.* Plaintiff alleged that Google sold “Rescuecom to plaintiff's competitors as a keyword [7] that trigger[ed] the competitors' sponsored links to appear on the search results page when an Internet user enter[ed] Rescuecom as a search term.” *Id.* at 400. The court reasoned that Google's “internal use of plaintiff's trademark to trigger sponsored links is not a use of a trademark within the meaning of the Lanham Act, [ ] because there is no allegation that defendant places plaintiff's trademark on any goods, containers, displays, or advertisements, or that its internal use is visible to the public.” *Id.* at 403. Thus, the court concluded, such conduct does not violate the Lanham Act, “which is concerned with the use of trademarks in connection with the sale of goods or services in a manner likely to lead to consumer confusion as to the source of such goods.” *Id.* The court distinguished *GEICO* on the basis that *GEICO* involved allegations pertaining to “the inclusion of the marks in advertisements,” *id.* at 402 (citing *GEICO,* 330 F.Supp.2d at 704), and granted that aspect of Google's motion to dismiss.

Two district courts in New Jersey reached a contrary decision. *800-JR Cigar, Inc. v. GoTo.com, Inc.,* 437 F.Supp.2d 273 (D.N.J.2006), involved a “pay-for-priority” search engine that “solicit[ed] bids from advertisers for key words or phrases to be used as search terms, giving priority results on searches for those terms to the highest-paying advertiser.” *Id.* at 278. The court concluded that this constituted “use” for the purposes of the Lanham Act in three ways:

> First, by accepting bids from those competitors of JR desiring to pay for prominence in search results, GoTo trades on the value of the marks. Second, by ranking its paid advertisers before any ‘natural’ listings in a search results list, GoTo has injected itself into the marketplace, acting as a conduit to steer potential customers away from JR to JR's competitors. Finally, through the Search Term Suggestion Tool, GoTo identifies those of JR's marks which are effective search terms and markets them to JR's competitors.

Id. at 285. The court explained that there were “no disputed material issues of fact which would prevent [it] from concluding, as a matter of law, that GoTo [made] trademark use of JR Cigar's trademarks,” and proceeded to consider whether “summary judgment [was] appropriate on the issue of whether GoTo's use of JR's trademarks creates a likelihood of confusion.” *Id.* Similarly, in *Buying for the Home, LLC v. Humble Abode, LLC,* 459 F.Supp.2d 310 (D.N.J.2006), the court ruled that allegations of the purchase of keywords under Google and Yahoo's respective sponsored links programs “clearly satisfy the Lanham Act's ‘use’ requirement.” *Id.* at 323. *See also International Profit Associates, Inc. v. Paisola,* 461 F.Supp.2d 672, 677 n. 3 (N.D.Ill.2006) (citing *Buying for the Home* and stating that “[t]he law in the Seventh Circuit is silent on whether the use of a trademark as a keyword in an online search program such as Google's Adwords is a use ‘in commerce’ under the Lanham Act as required to establish a claim, but other courts have determined that purchasing a trademarked term as a ‘keyword’ for Google Adwords program meets the Lanham Act's use requirement.”).

***4** Unreported decisions from district courts in Minnesota and Delaware reached the same result as that reached by the New Jersey courts. *Edina Realty, Inc. v. TheMLSOnline.Com,* 2006 WL 737064 (D.Minn.2006) (not published in F.Supp.2d) involved a real estate broker that had purchased the trademarked name of a competitor as a keyword search term from Google and Yahoo. Citing *Brookfield Communs., Inc. v. W. Coast Entm't Corp.,* 174 F.3d 1036, 1064 (9th Cir.1999) (hereinafter, *Brookfield*), the court concluded that “[w]hile not a conventional ‘use in commerce,’ defendant nevertheless uses the Edina Realty mark commercially.... Based on the plain meaning of the Lanham Act, the purchase of search terms is a use in commerce.” *Id. J.G. Wentworth, S.S.C v.*

Settlement Funding LLC, 2007 WL 30115 (E.D.Pa.2007) (slip copy) considered the sale of trademarks in Google's AdWord's program. The court concluded that such use "is not analogous to 'an individual's private thoughts' as defendant suggests. By establishing an opportunity to reach consumers via alleged purchase and/or use of a protected trademark, defendant has crossed the line from internal use to use in commerce under the Lanham Act." *Id.* at *6.

b. Existing Ninth Circuit Precedent

In considering the persuasive value of these conflicting authorities, this Court necessarily must be guided by the holding of the leading Ninth Circuit case in this area, *Playboy Enterprises, Inc. v. Netscape Communications Corp.,* 354 F.3d 1020 (9th Cir.2004) (hereinafter, *Playboy*). That case involved a challenge to the practice of "keying" sponsored banner ads to Playboy's trademarks "playboy" and "playmate." In discussing the affirmative defenses raised by Netscape, the court emphasized the facts that were not at hand:

> [W]e are not addressing a situation in which a banner advertisement clearly identifies its source with its sponsor's name, or in which a search engine clearly identifies a banner advertisement's source. We are also not addressing a situation in which advertisers or defendants overtly compare PEI's [8] products to a competitor's-saying, for example "if you are interested in Playboy, you may also be interested in the following message from [a different, named company]." Rather, we are evaluating a situation in which defendants display competitors' unlabeled banner advertisements, with no label or overt comparison to PEI, after Internet users type in PEI's trademarks.

Id. at 1030. [9] The Court rejected the affirmative defenses raised by Netscape, including the nominative use defense upon which the district court had granted summary judgment, and concluded that Playboy survived summary judgment on the likelihood of confusion under the eight-factor test articulated in *AMF Inc. v. Sleekcraft Boats,* 599 F.2d 431, 438-49 (9th Cir.1979).

The facts of the instant case differ from those of *Playboy* in that Google identifies sponsored links as such, while *Playboy* involved banner ads that were "confusingly labeled or not labeled at all." *Playboy,* 354 F.3d at 1023. ABWF implies in its opposition that Google does not identify sponsored links: "although Google claims publicly that its ads are conspicuous and differentiated from its genuine search results, this is not necessarily true." Opposition 11. ABWF contends that Google has developed a system that could apply a clear disclaimer stating that the sponsored links are not necessarily sponsored by the trademark owner. *Id.* However, ABWF provides no evidence that contradicts Google's description of the placement and identification of sponsored links. The parties dispute whether the term "Sponsored Links" is confusing, but there is no evidence that Google has failed to identify sponsored links in keeping with its stated policy of doing so [10] and the description of the practice it has provided to this Court. Nor is there any evidence in the record that Google permits purchasers of sponsored links to use trademarked terms in their text or title when the sponsor does not own the trademark. Nonetheless, the Court concludes that it should follow *GEICO* and other cases finding use in commerce on similar facts.

***5** As this Court observed in the March 30th Order,

> it is not at all clear that [the Ninth Circuit's] ultimate conclusion [in *Playboy*] that the defendants' alleged "use" of the plaintiff's trademarks was "actionable' was not based on an implicit, preliminary determination of actionable trademark "use" in the sense [at issue here]. If the use were not actionable in [that] sense, it is unclear why the court would have undertaken a lengthy and, by [Google and Third Party Defendants'] apparent reading of the case, wholly unnecessary likelihood-of-confusion analysis. Moreover, the possibility of such an implicit determination does not appear to have been precluded by the [Ninth Circuit's] observation that there was "[n]o dispute" as to whether [Google and Third Party Defendants] had "used the marks in commerce," as the accompanying footnote suggests that the observation concerned only the jurisdictional requirement of use

> *"in commerce"* and not the separate requirement of trademark "use."

March 30th Order 14. The Court concluded that it need not address this argument or Google's effort to distinguish *Playboy* on the basis that *Playboy* involved unidentified advertisements because there were relevant facts not before the Court at the motion to dismiss stage. *Id.* at 15. In light of the undisputed facts now in the record, the Court must determine whether *Playboy* makes an implicit finding of trademark use in commerce in the manner at issue here. The Court concludes that it does.

Both the majority and concurring opinions in *Playboy* focus on the likelihood-of-confusion analysis, indicating the Ninth Circuit's sense of where the legal issue in that case lay.[11] Nothing in the majority's discussion of the relevant facts suggests that it questioned whether the plaintiff had shown that there was a use of its trademark in commerce. *See Playboy,* 354 F.3d at 1030.[12] The concurring opinion, which appears to have anticipated a case similar to the instant action, also appears to have assumed trademark use and also focused directly on likelihood-of-confusion analysis: "I do not think it is reasonable to find initial interest confusion when a consumer is never confused as to source or affiliation, but instead knows, or should know, from the outset that a product or web link is not related to that of the trademark holder because the list produced by the search engine so informs him." *Id.* at 1034-35 (Berzon, J., concurring). Judge Berzon does not identify "use in commerce" as an open front in this area of law or suggest that remains a question for a later date. Instead, she suggests that future Ninth Circuit decisions should address the viability of existing Ninth Circuit precedent on the scope of the initial interest confusion doctrine "should the labeled advertisement issue arise later." *Id.* at 1036

Brookfield, the principal case relied upon by the *Playboy* majority, involved "metatags," terms on a webpage that are invisible to a consumer, but seen by a search engine. The plaintiffs alleged that Defendants used trademarks as metatags in an effort to draw traffic to their site and away from that of the holder of the trademarks. The Ninth Circuit concluded that "using a competitor's trademark in the metatags of [a] website is likely to cause what we have described as initial interest confusion. These forms of confusion are exactly what the trademark laws are designed to prevent." *Id.* at 1066. As it did later in *Playboy,* the Ninth Circuit focused its analysis on initial interest confusion and did not question whether the metatags were used in commerce in the sense at issue here. *Brookfield,* like *Playboy,* suggests that the Ninth Circuit would assume use in commerce here.

***6** This Court thus concludes, as did the courts in *GEICO, 800-JR Cigar, Humble Abode, Edina Realty,* and *Wentworth,* that the sale of trademarked terms in the AdWords program is a use in commerce for the purposes of the Lanham Act. While the Second Circuit's decision in *1-800 Contacts* and the subsequent district court decisions may cause the Ninth Circuit to consider this issue explicitly, the lengthy discussions of likelihood of confusion in *Brookfield* and *Playboy* would have been unnecessary in the absence of actionable trademark use. Accordingly, while Google's analogies to trademark infringements outside the digital realm are attractive, the Court will deny Google's motion for summary judgment to the extent that it is brought on the basis of an asserted absence of trademark use.

2. *Enforceability of "American Blinds" Trademark*

Google next contends that ABWF's claims pertaining to the "American Blinds" mark are not viable because that mark is not enforceable. Google asserts that "American Blinds" was not registered at the time the present action was commenced, that ABWF is not entitled to the statutory presumption of validity and exclusive rights granted by 15 U.S.C. § 1115, that it cannot prove secondary meaning of "American Blinds," and that ABWF's recent use of "American Blinds" is only a litigation ploy.[13]

The "American Blinds"[14] mark was registered in the United States Patent and Trademark Office on September 26, 2006. 15 U.S.C. § 1115(a) provides that registration of a mark is "prima facie evidence of the validity of the registered mark and of the registration of the mark, of the registrant's ownership of the mark, and of the registrant's exclusive right to use the registered mark in commerce."[15] The presumption of ownership under 15 U.S.C. § 1115(a) attaches at the date of the filing of the application for federal registration. *Sengoku Works Ltd. v. RMC International, LTD.,* 96 F.3d 1217, 1219-20 (9th Cir.1996). ABWF applied for the "American Blinds" mark on April 9, 2004. Hamm Decl. Ex. I. Google cites case law from the Third Circuit indicating that if registration occurs after the first allegedly infringing use commences, the presumption does not apply and the plaintiff must establish that it holds an enforceable common-law trademark. Motion 15 (citing *Commerce Nat'l Ins. Servs., Inc. v. Commerce Ins. Agency, Inc.,* 214 F.3d 432 (3d Cir.2000)). ABWF has identified no contrary Ninth Circuit authority. ABWF's counterclaim alleging infringement was filed one month after the registration date, and the first alleged infringement occurred prior to registration. Accordingly, the Court considers whether ABWF has provided evidence of a enforceable common-law interest in the mark "American Blind."

The parties dispute the nature of the term "American Blind." "Trademark law groups terms into four categories: (1) generic, (2) descriptive, (3) suggestive, and (4) arbitrary or fanciful." *Japan Telecom, Inc. v. Japan Telecom America Inc.,* 287 F.3d 866, 872 (9th Cir.2002) (internal quotation marks omitted). Google asserts that "American Blind" is descriptive. ABWF claims that "American Blind" is "inherently distinctive," or, in other words, suggestive, or arbitrary or fanciful. *See Yellow Cab Co. Of Sacramento v. Yellow Cab Co. Of Elk Grove, Inc.,* 419 F.3d 925, 926 (9th Cir.2005). "Descriptive terms ... describe a person, a place or an attribute of a product." *Id.* (internal quotation marks and ellipses omitted). However, ABWF does not point to evidence sufficient to create a triable issue of fact as to whether the mark "American Blind" is inherently distinctive. Rather, like the mark "Japan Telecom" in the case of that name, "American Blind" is descriptive.

***7** A descriptive common-law mark must acquire secondary meaning to become enforceable. *See e.g. Norm Thompson Outfitters, Inc. v. General Motors Corp.,* 448 F.2d 1293, 1299 (9th Cir.1971); *Japan Telecom,* 287 F.3d at 873. "In evaluating the sufficiency of evidence of secondary meaning, [the Ninth Circuit looks] to a number of factors, including (1) whether actual purchasers of the product bearing the claimed trademark associate the trademark with the producer, (2) the degree and manner of advertising under the claimed trademark, (3) the length and manner of use of the claimed trademark, and (4) whether use of the claimed trademark has been exclusive." *Id.* (internal quotation marks omitted). The Court concludes that ABWF has not produced sufficient evidence to allow a reasonable trier of fact to conclude that "American Blinds" has acquired secondary meaning. The evidence provided by ABWF either is dated after the first alleged infringement or is undated. ABWF offers general declarations regarding the strength of its combined marks, but it fails to provide any detailed information regarding the use of the "American Blinds" mark. Accordingly, the Court will grant summary judgment to the extent that ABWF's claims are based on the alleged "American Blinds" mark. Because ABWF treats the alleged "American Blind" mark as equivalent to the alleged "American Blinds" mark and because the record reflects a similar absence of evidence of its inherent distinctiveness or secondary meaning, the Court also will grant summary judgment in favor of Google to the extent that the claims are based on the alleged "American Blind" mark.

3. *Trademark Infringement and Confusion*

Google moves for summary judgment on the ground that ABWF cannot prove a likelihood of confusion with respect to any of the asserted marks. [16] ABWF argues that it can prove a likelihood of confusion and appears to base its arguments on the initial interest confusion doctrine.

"The core element of trademark infringement is whether the similarity of the marks is likely to confuse customers about the source of the products.... Initial interest confusion occurs when the defendant uses the plaintiff's trademark in a manner calculated to capture initial consumer attention, even though no actual sale is finally completed as a result of the confusion." *Interstellar Starship Services, Ltd. v. Epix, Inc.,* 304 F.3d 936, 941 (9th Cir.2002) (internal citations and quotation marks omitted). Likelihood of confusion is a mixed question of law and fact. *Levi Strauss & Co. v. Blue Bell, Inc.,* 778 F.2d 1352, 1355-56 (9th Cir.1985). "To evaluate the likelihood of confusion, including initial interest confusion, the so-called *Sleekcraft* factors provide non-exhaustive guidance." *Id.* Those factors are:

1. strength of the mark;

2. proximity of the goods;

3. similarity of the marks;

4. evidence of actual confusion;

5. marketing channels used;

***8** 6. type of goods and the degree of care likely to be exercised by the purchaser;

7. defendant's intent in selecting the mark; and

8. likelihood of expansion of the product lines.

AMF Inc. v. Sleekcraft Boats, 599 F.2d 341, 348-49 (9th Cir.1979). The Ninth Circuit has "cautioned that district courts should grant summary judgment motions regarding the likelihood of confusion sparingly, as careful assessment of the pertinent factors that go into determining likelihood of confusion usually requires a full record." *Thane Intern., Inc. v. Trek Bicycle Corp.,* 305 F.3d 894, 901-02 (9th Cir.2002).

Google argues that actions of participants in AdWords should not be treated as actions of Google: "As for Google, none of the *Sleekcraft* factors apply." Reply 15. However, the Ninth Circuit applied the *Sleekcraft* factors to Netscape in *Playboy.* The court concluded that Playboy could proceed past the summary judgment stage on either a direct or a contributory infringement theory, *Playboy,* 354 F.3d at 1024, and it weighed the *Sleekcraft* factors as if Netscape were responsible for the competitors' advertisements. *Playboy,* 354 F.3d at 1026-29. The existence of labels on Google's "Sponsored Links" may be relevant to the question of whether a consumer is confused for the purposes of trademark law, but the Court sees no reason why that difference between this case and *Playboy* should cause it to apply the *Sleekcraft* factors differently in the instant case.

As in *Playboy,* evidence of confusion is the most significant issue in applying the *Sleekcraft* factors in the instant case. *See Playboy,* 354 F.3d at 1026 ("The expert study PEI introduced establishes a strong likelihood of initial interest confusion among consumers. Thus, factor four alone probably suffices to reverse the grant of summary judgment."). ABWF offers the report of its expert, Alvin Ossip, as evidence of actual confusion. The report finds that twenty-nine percent of respondents falsely believed, after being shown a Google search results page for the entry "American Blinds," that "Sponsored Links" appearing on that page were affiliated with ABWF. Opposition 28, Ossip Study 7.[17] Google attacks the methodology and execution of the survey on multiple bases, arguing that the survey has no probative value.

The Ninth Circuit has explained that a survey may be admitted as long as it is conducted according to accepted principles and is relevant. *Wendt v. Host International, Inc.,* 125 F.3d 806, 814 (9th Cir.1997). "Technical unreliability goes to the weight accorded to a survey, not its admissibility," and that the better course for a district court in such a situation is to "admit the survey and discount its probative value." *Prudential Insurance Co. ., v. Gibraltar Financial Corp.,* 694 F.2d 1150, 1156 (9th Cir.1982). Admissibility of a survey is a question of law:

> Treatment of surveys is a two-step process. First, is the survey admissible? That is, is there a proper foundation for admissibility, and is it relevant and conducted according to accepted principles? This threshold question may be determined by the judge. Once the survey is admitted, however, follow-on issues of methodology, survey design, reliability, the experience and reputation of the expert, critique of conclusions, and the like go to the weight of the survey rather than its admissibility. These are issues for a jury or, in a bench trial, the judge.

***9** *Clicks Billiards, Inc. v. Sixshooters, Inc.,* 251 F.3d 1252, 1263 (9th Cir.2001).

Google offers two principal critiques of the Ossip study: that it lacks a control group and that it studied confusion only as to the "American Blinds" mark, which does not appear on any actual products, and, as discussed above, is not enforceable.[18] The lack of a control in the study clearly reduces its probative value, but Google cites no authority holding that such a deficiency is sufficient to render the survey inadmissible as a matter of law. Nor does Google point to any authority holding that a study must include all of a party's contested marks in order for it to be relevant evidence of confusion as to each mark. Two of the registered marks that remain at issue in the litigation, "American Blind Factory" and "American Blind & Wallpaper Factory," are similar to "American Blinds." Evidence of confusion stemming from Google's use of "American Blinds" thus has at least some relevance to the question of whether there is confusion stemming from Google's use of these two marks. The remaining mark at issue in the litigation, "Decoratetoday," does not bear any similarity to "American Blinds." Accordingly, the Court concludes that the Ossip study is relevant and admissible only to the extent that ABWF's claims are based upon the marks "American Blind Factory" and "American Blind & Wallpaper Factory," and not to the extent that the claims are based upon the mark "Decoratetoday."

Four of the remaining *Sleekcraft* factors support a finding that there is sufficient evidence to create a triable issue of fact regarding the likelihood of confusion. First, the goods offered by competitors linked to by "Sponsored Links" as a result of the purchase of trademarks as keywords are in close proximity with those offered by ABWF. Second, the terms sold by Google in the AdWords program are the trademarked terms, so they are exactly similar to the marks at issue. [19] Third, ABWF has introduced evidence that a low degree of consumer care should be expected of internet consumers and that many cannot identify which results are sponsored. *See* Garrity Decl. Ex. L. [20] Fourth, the evidence suggests that Google used the mark with the intent to maximize its own profit, so the intent factor favors ABWF. With respect to the final relevant *Sleekcraft* factor, the evidence before the Court suggests that the strength of the marks is ambiguous.

Having considered the *Sleekcraft* factors, the Court concludes that ABWF has produced sufficient evidence of likelihood of confusion to withstand Google's motion for summary judgment as to the "American Blind Factory" and "American Blind & Wallpaper Factory" marks. [21] While the Ossip study does not provide evidence relevant to the "Decoratetoday" mark, the Court concludes that the evidence pertaining to the remaining *Sleekcraft* factors provides a sufficient basis for denying summary judgment as to this mark as well. [22] The lack of relevant survey evidence pertaining to the "Decoratetoday" mark may make it harder for ABWF to convince a jury of the likelihood of confusion surrounding Google's use of that mark, but the Court may not grant summary judgment on that basis alone.

***10** As discussed above in the context of trademark use, the future application of the initial interest confusion doctrine to identified, sponsored links is an unsettled question in the Ninth Circuit. Judge Berzon's concurrence in *Playboy* suggests that the doctrine would reach such situations and criticizes such a result:

> As applied to this case, *Brookfield* might suggest that there could be a Lanham Act violation even if the banner advertisements were clearly labeled, either by the advertiser or by the search engine. I do not believe that to be so. So read, the metatag holding in *Brookfield* would expand the reach of initial interest confusion from situations in which a party is initially confused to situations in which a party is never confused. I do not think it is reasonable to find initial interest confusion when a consumer is never confused as to source or affiliation, but instead knows, or should know, from the outset that a product or web link is not related to that of the trademark holder because the list produced by the search engine so informs him.

Playboy, 354 F.3d at 1034-35 (Berzon, J. concurring). However, even if this Court were to treat Judge Berzon's concurrence as controlling law, which it cannot, it would still have to determine whether a consumer "knows or should know, from the outset" that the sponsored link is not related to ABWF, the trademark holder. It is undisputed that Google identifies "Sponsored Links," but the reasonable response of a consumer to these links remains a disputed issue of fact.

4. *Trademark Dilution*

ABWF also brings claims for trademark dilution under Section 43(c) of the Lanham Act, 15 U.S.C. § 1125(c), [23] and Cal. Bus. & Prof.Code § 14330. Google argues that ABWF's dilution claims fail because ABWF has not presented evidence that its marks are famous.

The Lanham Act creates a right of action for dilution of a famous mark [24] as does the California dilution statute. [25] Under the Lanham Act,

> a mark is famous if it is widely recognized by the general consuming public of the United States as a designation of source of the goods or services of the mark's owner. In determining whether a mark possesses the requisite degree of recognition, the court may consider all relevant factors, including the following:

> (i) The duration, extent, and geographic reach of advertising and publicity of the mark, whether advertised or publicized by the owner or third parties.
>
> (ii) The amount, volume, and geographic extent of sales of goods or services offered under the mark.
>
> (iii) The extent of actual recognition of the mark.
>
> (iv) Whether the mark was registered under the Act of March 3, 1881, or the Act of February 20, 1905, or on the principal register.

15 U.S.C. § 1125(c)(2)(A). "The Ninth Circuit has made it clear that the protection afforded by California's anti-dilution statute extends only to highly distinctive, well-known marks." *Metro Pub., Ltd. v. San Jose Mercury News, Inc.,* 861 F.Supp. 870, 881 (N.D.Cal.1994).

***11** ABWF has not conducted a fame survey, but its failure to perform such a survey is not dispositive of the question before the Court. ABWF presents evidence of fame in the form of declarations that the marks (1) have been used in advertising and publicity for an extended period of time in a broad geographic area; (2) have been on a large amount of goods sold under the mark; and (3) have been registered. The evidence is contained in the declaration of Jeffrey Alderman, Director of Business Development and E-Commerce for ABWF. Google objects to that declaration on multiple grounds. [26] Assuming without deciding that the declaration is admissible, the Court concludes that that ABWF has not produced sufficient evidence to allow a reasonable trier of fact to conclude that ABWF's marks are famous or distinctive as required under either the federal or the state dilution statute. [27] Accordingly the Court will grant summary judgment on ABWF's third and fourth claims.

5. *Unclean Hands*

Google contends that all of ABWF's claims are barred by the unclean hands doctrine because ABWF engages in the same conduct that it alleges, namely purchasing the trademarks of its competitors as keywords under the AdWords program. The Ninth Circuit has explained that:

> Unclean hands ... does not stand as a defense that may be properly considered independent of the merits of the plaintiff's claim-such as the defenses of the statute of limitations or the statute of frauds.... In the interests of right and justice the court should not automatically condone the defendant's infractions because the plaintiff is also blameworthy, thereby leaving two wrongs unremedied and increasing the injury to the public. Rather the court must weigh the substance of the right asserted by plaintiff against the transgression which, it is contended, serves to foreclose that right. The relative extent of each party's wrong upon the other and upon the public should be taken into account, and an equitable balance struck. The ultimate decision is whether the deception actually caused by plaintiff 'as compared with the trading methods of the defendant warrant punishment of the plaintiff rather than of the defendant.'

Republic Molding Corp. v. B.W. Photo Utilities, 319 F.2d 347, 350 (9th Cir.1963). The Court has considered the equities involved in this case and concludes that the doctrine of unclean hands does not bar ABWF's claims. ABWF has submitted evidence of its willingness to enter into agreements with competing companies to refrain from buying each other's trademarks as keywords under the AdWords program. In addition, the large number of businesses and users affected by Google's AdWords program indicates that a significant public interest exists in determining whether the AdWords program violates trademark law.

IV. ORDER

Good cause therefor appearing, IT IS HEREBY ORDERED that Google's motion for summary judgment is GRANTED as to ABWF's third and fourth claims, and to the extent that other claims are based upon the "American Blind" and "American Blinds" marks. The motion is DENIED as to the remaining claims.

All Citations

Not Reported in F.Supp.2d, 2007 WL 1159950

Footnotes

1 This disposition is not designated for publication and may not be cited.

2 Google moved for terminating sanctions on the same date. On February 12, 2007, the Court referred that motion to Magistrate Judge Seeborg.

3 15 U.S.C. § 1127 defines "use in commerce":

"The term 'use in commerce' means the bona fide use of a mark in the ordinary course of trade, and not made merely to reserve a right in a mark. For purposes of this chapter, a mark shall be deemed to be in use in commerce-

(1) on goods when-

(A) it is placed in any manner on the goods or their containers or the displays associated therewith or on the tags or labels affixed thereto, or if the nature of the goods makes such placement impracticable, then on documents associated with the goods or their sale, and

(B) the goods are sold or transported in commerce, and

(2) on services when it is used or displayed in the sale or advertising of services and the services are rendered in commerce, or the services are rendered in more than one State or in the United States and a foreign country and the person rendering the services is engaged in commerce in connection with the services."

4 The court does not identify the specific program run by Google, but it appears to be the AdWords program.

5 The *1-800 Contacts* case was decided after the issuance of the March 30th Order.

6 The court reaffirmed its decision on a subsequent motion for reconsideration. *See Merck & Co., Inc. v. Mediplan Health Consulting,* 431 F.Supp.2d 425, 427 (S.D.N.Y.2006) ("For the reasons stated in the Opinion, I conclude that defendants' purchase from Google and Yahoo of the right to have their websites displayed as 'sponsored links' when a computer user searches the keyword 'Zocor' does not constitute trademark use."). The court also expanded on its opinion, explaining: "When a computer user typed in the keyword Zocor, she would be offered, by virtue of the internal search engine processes, sponsored links to defendants' websites, in addition to the actual websites generated by the search engine program using neutral and objective criteria. This internal use of the keyword 'Zocor' is not use of the ZOCOR mark to indicate source or sponsorship. It may be commercial use, in a general sense, but it is not trademark use. Indeed, if anything, keywording is less intrusive than pop-up ads as it involves no aggressive overlaying of an advertisement on top of a trademark owner's webpage." *Id.* at 428.

7 *Rescuecom* involved a challenge to the "AdWords" program.

8 Playboy Enterprises Inc.

9 In a footnote, the Court observed that clearly identifying a banner ad's source "might eliminate the likelihood of confusion that exists in this case." *Id.* at n. 43.

10 The parties dispute whether Google defines "Sponsored Links" anywhere on its website. The Court need not resolve that issue for the purposes of the present discussion.

11 The Court does not suggest that "use in commerce" does not remain an independent and necessary requirement of trademark infringement. *See* Motion 9 (citing *Karl Storz Endoscopy-America, Inc. v. Surgical Techs., Inc.,* 285 F.3d 848, 855-56 (9th Cir.2002)).

12 Instead, the majority stated that where "[t]he Internet user [reaches] the [competitor's] site because of [the competitor's] use of [a] mark [to key unlabelled banner ads, s]uch use is actionable." *Id.* at 1026.

13 Elsewhere, Google asserts that "ABWF's claims that Google infringes its two purported common law marks-'American Blind' and 'American Blinds'-must fail because ABWF cannot prove that it has any rights in those marks." Motion 2.

14 The Court also has considered Google's limited references to the asserted unenforceability of the "American Blind" mark, and concludes that these references were sufficient to inform the Court of the basis of the motion and to give notice thereof to ABWF. ABWF also treats the single and plural versions of this mark as interchangeable for the purposes of this action. *See* Answer and Counterclaim ¶ 17 ("Since at least as early as 1986, and long prior to the acts of the Defendants complained of herein, American Blind adopted and used, and has continued to use, the names and marks AMERICAN BLIND and AMERICAN BLINDS (hereinafter collectively identified as "AMERICAN BLIND") in connection with home decorating products and related services which have been offered for sale and sold in interstate commerce in the United States, including the State of California.").

15 A mark becomes incontestable under 15 U.S.C. § 1065 after five years of continuous use since registration and after conformance with the procedures identified in that section. Such an incontestable mark becomes conclusive evidence of the registrant's ownership of and exclusive right to use the mark. 15 U.S.C. § 1125(b). ABWF does not assert that it registered the mark more than five years ago.

16 As discussed above, the Court will grant summary judgment in favor of Google to the extent that ABWF bases its counter-complaint on the "American Blind" or "American Blinds" marks. Three other marks are listed in ABWF's answer and counter-complaint: "American Blind Factory," "Decoratetoday," and "American Blind & Wallpaper Factory." ABWF also

refers to the mark "American Blind & Wallpaper" in opposition to Google's motion, Opposition 5-6, but that mark does not appear in the answer and counter-complaint.

17 The Ossip study is Exhibit O to the Hamm Declaration in support of summary judgment.

18 Google also criticizes the study for affirmatively choosing as respondents people who had claimed to have heard of "American Blinds" products; over-counting confusion among study participants; failing to replicate real-life conditions as closely as possible; and failing to use a blind-panel to categorize responses. The Court concludes that each of these challenges goes to weight rather than the admissibility of the survey.

19 The Ninth Circuit explained in *GoTo.com, Inc. v. Walt Disney Co.,* 202 F.3d 1199 (9th Cir.2000) that, "in the context of the Web [ ] the three most important *Sleekcraft* factors are (1) the similarity of the marks, (2) the relatedness of the goods or services, and (3) the simultaneous use of the Web as a marketing channel." *Id.* at 1205 (quotation marks omitted). The first two elements of this "internet trinity," *see Interstellar Starship Services,* 304 F.3d at 942, are present in the instant case and the third, the marketing channels factor has little weight in this particular inquiry. *See Playboy,* 354 F.3d at 1028 ("PEI and the advertisers use identical marketing channels.... Given the broad use of the Internet today, the same could be said of countless companies. Thus, this factor merits little weight.").

The Ninth Circuit also explained in *Playboy* that where, as here, "the advertisers' goods and [the goods of the company alleging infringement] are already related," the likelihood of expansion of product lines factor is "irrelevant." *Id.* at 1029.

20 The cited study is not specific as to the search engine used, but this does not deprive it of probative value with respect to this *Sleekcraft* factor.

21 Google argues that ABWF cannot succeed on its trademark infringement action because it has not produced any evidence showing that a user landing on the page linked to by the "Sponsored Link" cannot "readily see that it not what she sought" and contends that such "momentary confusion before she clicks the back button cannot suffice to support a claim for damages." Motion 25. That is not the law of the Ninth Circuit.

Google suggests that *Playboy* involved users who "having typed 'Playboy' into their search engine, were presented with an *unlabelled* banner ad on the search-results page that led them to believe that they had in fact arrived at Playboy's website." Motion 24 (emphasis in original). However, the opinion in *Playboy* does not state that the users thought they had landed on Playboy's site or that it is a requirement of the initial interest confusion doctrine that they have had such a thought. Instead, the court said: "[M]any of the advertisements instruct users to 'click here.' Because of their confusion, users may follow the instruction, believing they will be connected to a PEI [Playboy] site. *Even if they realize 'immediately upon accessing' the competitor's site that they have reached a site 'wholly unrelated to' PEI's, the damage has been done:* Through initial consumer confusion, the competitor 'will still have gained a customer by appropriating the goodwill that [PEI] has developed in its [ ] mark." *Id.* at 1025 (emphasis added). Accordingly, the Court will not grant summary judgment to Google on the basis of ABWF's asserted failure to examine the website to which the "Sponsored Links" connect.

22 Likelihood of confusion tests articulated by the Ninth Circuit are intended to serve as a "non-exclusive series of factors that are helpful in making the ultimate factual determination." *Eclipse Associates Ltd. v. Data General Corp.,* 894 F.2d 1114, 1118 (9th Cir.1990). The eight-factor *Brookfield* test is "pliant, and the relative import of each factor is case specific." *Interstellar Starship Services,* 304 F.3d at 942. The Court concludes that in the instant case, the absence of evidence of actual confusion regarding the "Decoratetoday" mark is insufficient alone to support a grant of summary judgment when other factors weigh against a grant of summary judgment.

23 Also known as the Federal Trademark Dilution Act ("FTDA").

24 "Subject to the principles of equity, the owner of a famous mark that is distinctive, inherently or through acquired distinctiveness, shall be entitled to an injunction against another person who, at any time after the owner's mark has become famous, commences use of a mark or trade name in commerce that is likely to cause dilution by blurring or dilution by tarnishment of the famous mark, regardless of the presence or absence of actual or likely confusion, of competition, or of actual economic injury." 15 U.S.C. § 1125(c)(1).

Google notes that 15 U.S.C. § 1125 was amended in October 2006. *See* Pub.L. 109-312, § 2, 120 Stat. 1730 (Oct. 6, 2006). The earlier version of the act did not include a reference to "the general consuming public" and enumerated eight non-comprehensive factors that a court could consider in determining fame. Google contends that prospective, injunctive relief must be governed by the updated act, and that any damages must be sought under the previous version of the act.

25 "Likelihood of injury to business reputation or of dilution of the distinctive quality of a mark registered under this chapter, or a mark valid at common law, or a trade name valid at common law, shall be a ground for injunctive relief notwithstanding

the absence of competition between the parties or the absence of confusion as to the source of goods or services.” Cal. Bus. & Prof.Code § 14330.

26 ABWF filed further exhibits in support of its opposition on the eve of oral argument and shortly thereafter. ABWF describes these exhibits as supplying the evidence that Alderman summarizes in his declaration. *See* Response to Objections to Alderman Declaration 2. However, the exhibits do not provide support for ABWF's arguments beyond that provided by the Alderman declaration.

27 The Court need not determine which version of the Lanham Act governs the various aspects of ABWF's dilution claim.

End of Document

EXHIBIT 10

2014 WL 3766724
Only the Westlaw citation is currently available.
United States District Court,
C.D. California.

GRAVITY DEFYER CORPORATION
v.
UNDER ARMOUR, INC.

No. LA CV13–01842 JAK (JCGx).
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Signed July 7, 2014.

Attorneys and Law Firms

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Proceedings: (IN CHAMBERS) ORDER RE DEFENDANTS' MOTION FOR SUMMARY JUDGMENT (DKT.136)

JOHN A. KRONSTADT, District Judge.

***1** Andrea Keifer Deputy Clerk

I. *Introduction*

Gravity Defyer Corporation ("Plaintiff" or "Gravity Defyer") brought this action in which Under Armour, Inc. ("Under Armour"), certain retailers who are selling Under Armour products, and Does 1 through 9 (collectively, "Defendants") are named as defendants. Second Amended Complaint ("SAC"), Dkt. 68. Plaintiff markets and sells an athletic shoe using the trademark "G Defy®". Under Armour markets and sells several styles of athletic shoes using the trademark "Micro G®". One style of shoes sold under the "Micro G®" trademark is called "Defy". That shoe is advertised and sold under the name "Micro G® Defy." Plaintiff contends that the use of the Under Armour "Micro G®" trademark in combination with the word "Defy" to create the name "Micro G® Defy" has caused consumer confusion. Thus, it contends that certain consumers have believed either that Defendants' shoe is the same as the Gravity Defyer "G Defy®" shoe or has been produced with the permission of Plaintiff. Plaintiff asserts claims for trademark infringement, unfair competition and false designation of origin in violation of the Lanham Act, 15 U.S.C. § 1051 *et seq. Id.*

On April 22, 2014, Defendants filed a Motion for Summary Judgment (the "Motion"). The Court conducted a hearing on the Motion on June 30, 2014, and took the matter under submission. Dkt. 168. For the reasons set forth in this Order, the Motion is DENIED.

II. *Factual Background*

Plaintiff and Defendants both engage in advertising and online sales of athletic shoes. Dkt. 156–1, ¶ 35. On February 16, 2010, Plaintiff obtained a federal registration for the trademark "G Defy" in connection with the sale of shoes. Dkt. 68, Exh. A. The federal registration states that the "first use in commerce" of the mark by Plaintiff was on March 15, 2009. *Id.* Plaintiff claims in its advertisements that its "G Defy" shoe can "relieve discomfort," "improve your health," and "energize your life." Dkt. 156–1, ¶ 22. Plaintiff advertises the "G Defy" shoe through various print publications, mail-order catalogs, television and radio programs, social media and online advertisements. *Id.* at ¶¶ 32–33. The retail price of Plaintiff's G Defy shoe ranges from $89 to $145 per pair. *Id.* at ¶ 36.

In 2010, Under Armour obtained a federal registration for the trademark "Micro G" in connection with the sale of shoes. *Id.* at ¶ 1. In 2012, Defendants began selling and advertising the "Under Armour Micro G® Defy" shoe. *Id.* at ¶ 40. Plaintiff contends that the "brand name" of the Under Armour shoe is "Micro G Defy." *Id.* Defendants respond as follows: (i) "Under Armour" is the brand name; (ii) "Micro G®" is the line name; and (iii) "Defy" is the style name. *Id.* Since 2010, Defendants have used the "Micro G®" mark in connection with more than 600 separate "styles" of athletic shoes. *Id.* For example, in addition to the "Under Armour Micro G® Defy" shoe, Under Armour sells the "Under Armour Micro G® Defend" shoe, the "Under Armour Micro G® Gridiron" shoe and the "Under Armour Micro G® Ignite" shoe. Dkt. 136, at 3.

***2** In their advertising, Defendants claim that the "Micro G Defy" shoe contains special soles that provide "more protection underfoot," "turn [ ] cushioned landings into explosive takeoffs," and "help[ ] rebound your heel-strike energy, creating forward momentum." Dkt. 156–1, ¶ 23. Defendants advertise the shoe on various media outlets. They also have contracted "to have a link to [Under Armour's] website appear when an internet search was performed for certain key words," including "micro g defy." *Id.* at ¶ 6. Beginning in 2012, when a user entered the search terms "g defy" into an online search engine such as Google, both the Under Armour "Micro G Defy" shoe and Plaintiff's "G Defy" shoe appeared in the search results. Dkt. 156–1, ¶ 26.

Plaintiff contends that, because of the similarity between the names of the products sold by the parties, consumers are likely to be, and have been, confused as to the affiliation, connection or association of Defendants and Plaintiff, and as to the origins of their respective products. Dkt. 68, ¶ 36. As a result, Plaintiff contends it is entitled to "damages including for diverted sales subject to proof at trial." *Id.* at ¶¶ 33, 38.

III. *Analysis*

A. Legal Standard

A motion for summary judgment will be granted where "the pleadings, depositions, answers to interrogatories, and admissions on file, together with the affidavits, if any, show that there is no genuine issue as to any material fact and that the moving party is entitled to a judgment as a matter of law." Fed.R.Civ.P. 56(c). The party seeking summary judgment bears the initial burden to show the basis for its motion and to identify those portions of the pleadings and discovery responses that demonstrate the absence of a genuine issue of material fact. *See Celotex Corp. v. Catrett,* 477 U.S. 317, 322, 106 S.Ct. 2548, 91 L.Ed.2d 265 (1986). Where the moving party will have the burden of proof on an issue at trial, the movant must affirmatively demonstrate that no reasonable trier of fact could find other than for the moving party. Where the nonmoving party will have the burden of proof on an issue, however, the movant need only demonstrate that there is an absence of evidence to support the claims of the nonmoving party. *See id.* If the moving party meets its initial burden, the nonmoving party must set forth "specific facts showing that there is a genuine issue for trial." *Anderson v. Liberty Lobby, Inc.,* 477 U.S. 242, 250, 106 S.Ct. 2505, 91 L.Ed.2d 202 (1986); Fed. R. Civ. Proc. 56(e).

Only admissible evidence may be considered in connection with a motion for summary judgment. Fed.R.Civ.P. 56(e). In considering such a motion, a court is not to make any credibility determinations or weigh conflicting evidence. All inferences are to be drawn in the light most favorable to the nonmoving party. *See T.W. Elec. Serv., Inc. v. Pac. Elec. Contractors Ass'n,* 809 F.2d 626, 630–31 (9th Cir.1987). However, conclusory, speculative testimony in declarations or other evidentiary materials is insufficient to raise genuine issues of fact and defeat summary judgment. *See Thornhill Publ'g Co., Inc. v. GTE Corp.,* 594 F.2d 730, 738 (9th Cir.1979).

***3** Trial courts often disfavor deciding trademark cases on summary judgment because "the ultimate issue is so inherently factual." *Click Billiards, Inc. v. Sixshooters, Inc.,* 251 F.3d 1252, 1265 (9th Cir.2001). However, "[a]lthough disfavored in trademark infringement cases, summary judgment may be entered when no genuine issue of material fact exists." *Surfvivor Media, Inc. v. Survivor Prods.,* 406 F.3d 625, 630 (9th Cir.2005).

B. Application

"The core element of trademark infringement is the likelihood of confusion, *i.e.,* whether the similarity of the marks is likely to confuse customers about the source of the products." *Brookfield Commc'ns, Inc. v. West Coast Entm't Corp.,* 174 F.3d 1036, 1053 (9th Cir.1999) (internal quotations omitted). "The test for 'likelihood of confusion' requires the factfinder to determine whether a reasonably prudent consumer in the marketplace is likely to be confused as to the origin of the good or service bearing one of the marks." *Surfvivor Media, Inc.,* 406 F.3d at 630 (internal quotation omitted). "What is expected of this reasonably prudent consumer depends on the circumstances." *Brookfield,* 174 F.3d at 1060.

To analyze likelihood of confusion, courts generally consider the following eight factors: (i) strength of the plaintiff's mark; (ii) whether the goods are related; (iii) similarity of the marks; (iv) evidence of actual confusion; (v) marketing channels; (vi) degree of consumer care in making purchasing decisions; (vii) the defendants' intent; and (viii) likelihood of expansion. *AMF Inc. v. Sleekcraft Boats,* 599 F.2d 341, 348–49 (9th Cir.1979); *Surfvivor Media, Inc.,* 406 F.3d at 631. "The *Sleekcraft* factors are intended as an adaptable proxy for consumer confusion, not a rote checklist." *Network Automation, Inc.*

v. Advanced Systems Concepts, Inc., 638 F.3d 1137, 1145 (9th Cir.2011). "Some factors are much more important than others, and the relative importance of each individual factor will be case-specific." *Brookfield,* 174 F.3d at 1054.

In trademark infringement cases that involve online advertisements and results generated by internet search engines, the Ninth Circuit has held that the following factors may be particularly relevant: (i) strength of the plaintiff's mark; (ii) evidence of actual confusion; (iii) "type of goods and degree of care likely to be exercised by the purchaser"; and (iv) "labeling and appearance of the advertisements and the surrounding context on the screen displaying the results page." *Network Automation, Inc. .,* 638 F.3d at 1154.

Plaintiff contends that there are genuine disputes of fact with respect to several of the *Sleekcraft* factors. Each of the factors is discussed below. [1]

1. *The Strength of Plaintiff's Mark*

The strength of a mark is examined to determine the scope of trademark protection to which it is entitled. *Entrepreneur Media, Inc. v. Smith,* 279 F.3d 1135, 1141 (9th Cir.2002). The strength of a mark is determined by conceptual and commercial strength. *Network Automation,* 638 F.3d at 1149. "Marks can be conceptually classified along a spectrum of generally increasing inherent distinctiveness as generic, descriptive, suggestive, arbitrary, or fanciful." *Brookfield,* 174 F.3d at 1058. "A strong mark is inherently distinctive, for example, an arbitrary or fanciful mark; it will be afforded the widest ambit of protection from infringing uses." *Sleekcraft Boats,* 599 F.2d at 349. By contrast, "[a] descriptive mark tells something about the product; it will be protected only when secondary meaning is shown." *Id.* [2] "In between lie suggestive marks which subtly connote something about the products. Although less distinctive than an arbitrary or fanciful mark and therefore a comparatively weak mark, a suggestive mark will be protected without proof of secondary meaning." *Id.*

***4** Plaintiff concedes that its "G Defy" mark is "suggestive, connoting that its shoes 'defy gravity.' " Dkt. 145, at 10. A suggestive mark conveys an impression of a product, but requires a prospective purchaser to use some imagination to reach conclusions about the nature of the product. *See, e.g., American Home Prods. Corp. v. Johnson Chem. Co. Inc.,* 589 F.2d 103 (2d Cir.1978) ("Roach Motel" insect trap is suggestive). Plaintiff's "suggestive" "G Defy" mark is "inherently distinctive." Accordingly, it is protected without proof of secondary meaning. However, "unlike arbitrary or fanciful marks which are typically strong, suggestive marks are presumptively weak." *Brookfield,* 174 F.3d at 1058.

"[P]lacement within the conceptual distinctiveness spectrum is not the only determinant of a mark's strength, as advertising expenditures can transform a suggestive mark into a strong mark." *Id.* However, Plaintiff has not presented evidence showing that its "G Defy" mark has obtained "commercial strength." As to this issue, Plaintiff relies on the declaration of its Co–President and Chief Financial Officer, Paul Coleman. He states that Gravity Defyer has spent "over $30 million in advertising campaigns" since 2009 "to market its products." Coleman Dec'l, Dkt. 149, ¶ 2. He also states that "Gravity Defyer's gross sales from 2012–2013 are approximately $32 million." *Id.* However, he does not specify how much of the advertising expenditures were for the promotion of the "G Defy" shoe as opposed to other products. For example, certain of Plaintiff's advertisements are for its "gcomfort" shoe. *See* Coleman Dec'l, Exh. B, at 11. Nor does he state how much of the $32 million in gross sales was from sales of the "G Defy" shoe.

Commercial strength is based on "actual marketplace recognition." *Brookfield,* 174 F.3d at 1058. Plaintiff has not presented any evidence as to marketplace recognition of the "G Defy" mark. Defendants have presented the results of a survey that they commissioned. It found that, among prospective purchasers of athletic shoes, only 1.5% (5 out of 336) were aware of "G Defy" as a brand of athletic shoes. Dkt. 136–1, Anderson Dec'l, Exh. H, at 130. Among prospective purchasers of athletic shoes that claim to protect joints from impact, only .9% (1 out of 108) of respondents were aware of the "G Defy" mark. *Id.* Plaintiff contends that the survey used an improper sample of the population and is unreliable. It argues that "the proper universe is the potential buyers of the *junior user's* goods or services." Dkt. 145, at 13 (italics in original) (citing *Hutchinson v. Essence Commc'n, Inc.,* 769 F.Supp. 541, 559–60 (S.D.N.Y.1991)). Plaintiff's position is not persuasive. The "appropriate universe should include a fair sampling of those purchasers most likely to partake of the alleged infringer's goods or services." *Brooks Shoe*

Mfg. Co. v. Suave Shoe Corp., 716 F.2d 854, 861 (11th Cir.1983). "Where the senior and junior user's products are of the same kind, the population of consumers is the same." *Hutchinson,* 769 F.Supp. at 546. [3]

***5** Defendants' survey results are admissible, uncontroverted evidence that Plaintiff's "G Defy" mark has not achieved "actual market recognition" among prospective consumers of either Plaintiff's or Defendants products. *Brookfield,* 174 F.3d at 1058. Because the "G Defy" mark is presumptively weak, and insufficient evidence has been presented showing that it has obtained "commercial strength," there is presently no triable issue of fact with respect to the strength of the mark. [4] This factor weighs against Plaintiff's claims.

2. *Whether the Goods are Related*

"The standard for deciding whether the parties' goods or services are 'related' is whether customers are 'likely to associate' the two product lines." *Surfvivor Media, Inc.,* 406 F.3d at 633 (quoting *Dreamwerks Production Grp., Inc. v. SKG Studio,* 142 F.3d 1127, 1131 (9th Cir.1998)). "The proximity of goods is measured by whether the products are: (1) complementary; (2) sold to the same class of purchasers; and (3) similar in use and function." *Network Automation,* 638 F.3d at 1150.

Defendants contend that there are four material differences between the "G Defy" and the "Micro G Defy" shoes: (i) "[u]nlike Plaintiff, Under Armour does not claim that its shoes provide any quasi-medical benefits"; (ii) "Plaintiff does not sell shoes in children's sizes, while Under Armour does"; (iii) "Under Armour does not sell dress shoes like Plaintiff does"; and (iv) "Under Armour does not sell shoes with springs." Dkt. 136, at 16. Defendants also contend that their shoes are targeted to 18 to 34–year–olds while Plaintiff's shoes are targeted to 35 to 55–year–olds. Dkt. 156–1, ¶ 25.

Despite these differences, there is a genuine issue of fact with respect to whether the ordinary consumer is likely to associate the two products. Both are advertised as "athletic" shoes. Dkt. 136–4, Besselman Dec'l, ¶ 2; Dkt. 148, Coleman Dec'l, ¶ 8. Both are also advertised as providing a "bounce" or a "spring." For example, Plaintiff advertises the "G Defy" shoe as containing a "trampoline sole" that "absorbs shock and propels you forward, leaving you feeling energized and relaxed." Dkt. 148, Coleman Dec'l, Exh. B, at 2. The Under Armour "Micro G Defy" shoe is advertised as containing a sole that is "bouncy" and "turns cushioned landings into explosive takeoffs." Dkt. 147–3, Lauson Dec'l, Exh. C, at 8, 17. And, although Alexander Elnekaveh, the founder and chairman of Gravity Defyer, conceded that the "best age demographic" for the "G Defy" shoe is 35–55–year–olds, he states that the shoe is also sold to 20–35–year–olds, and "the range of age for purchasers of the G Defy athletic shoes is spread." Elnekaveh Dec'l, Dkt. 148, Exh. B, at 4, 6.

For these reasons, although the two products are not identical, there are sufficient similarities between them to raise a triable issue as to whether an ordinary consumer would be "likely to associate" them. *Surfvivor Media, Inc.,* 406 F.3d at 633.

3. *Similarity of the Marks*

***6** Defendants contend that the two trademarks at issue in this case are not similar. Dkt. 136, at 9. They argue that, "[o]nly when the full name of the Under Armour product [is used] does the 'Micro G' name come in proximity with 'Defy.' ... The full product name—Under Armour Micro G® Defy—does not as a matter of law constitute 'use' of Plaintiff's G Defy® mark" or a similar mark. *Id.* at 10. Plaintiff argues that "it is likely that [consumers] would not be able to differentiate the 'Micro G' as being the footwear technology and 'Defy' as the style, especially when the shoes are advertised as 'Under Armour Micro G Defy' or 'UA Micro G Defy.' " Dkt. 145, at 8. Instead, "[c]onsumers are likely to think that 'Micro' is merely a modifier of 'G Defy,' especially since 'Micro G Defy' typically appeared without the ® between 'Micro G' and 'Defy' in Defendants' advertisements." *Id.*

"Similarity of the marks is tested on three levels: sight, sound, and meaning. Each must be considered as [it is] encountered in the marketplace." *Network Automation, Inc.,* 638 F.3d at 1150. The "full name" of the Under Armour shoe may appear to the ordinary consumer to contain Plaintiff's "G Defy" mark with the addition of the words "Micro," and, at times, "Under Armour." Although Defendants claim that they intended for the "G" to be associated with "Micro" rather than "Defy," there is a triable issue as to whether an ordinary consumer would interpret the words in that manner. Indeed, in many of the advertisements at issue, the "®" does not appear after the term "Micro G." *See, e.g.,* Lauson Dec'l, Exh.

C. Particularly in those instances, a consumer may believe that the term "Micro" is intended to modify the phrase "G Defy."

Similarly, the addition of the name "Under Armour" prior to the phrase "Micro G Defy" does not show the absence of a triable issue of fact as to the similarity of the two trademarks. Rather, the use of the "Under Armour" "house mark may serve to create reverse confusion that [Under Armour], and not [Plaintiff], is the source of" the "G Defy" technology. *Americana Trading Inc. v. Russ Berrie & Co.,* 966 F.2d 1284, 1288 (9th Cir.1992). Indeed, the use of the Under Armour "housemark" in conjunction with Plaintiff's mark may cause consumers to believe that Plaintiff had "licensed, approved or otherwise authorized Defendants' use of the ['G Defy'] name." *Int'l Kennel Club of Chicago, Inc. v. Mighty Star, Inc.,* 846 F.2d 1079, 1088 (7th Cir.1988); J. Thomas McCarthy, McCarthy on Trademarks, § 23.43 (4th Ed.) ("A junior user cannot justify its confusing use of another's mark simply by tacking on its own house name. Such a usage may merely suggest to customers that plaintiff has licensed defendant or that the parties are affiliated in some other way.").

In support of their position on this issue, Defendants rely on *Walter v. Mattel, Inc.,* 210 F.3d 1108 (9th Cir.2000). There, the plaintiff operated an advertisement illustration and product packaging business under the name "Pearl Beach." *Id.* at 1109. She claimed that the use by Mattel of the mark "Pearl Beach Barbie" in connection with its "pool and beach" Barbie doll infringed her trademark. *Id.* She argued that "Mattel's use of its distinctive ['Barbie'] logo in conjunction with the name Pearl Beach implies that Pearl Beach licensed the product." *Id.* at 1111. The court rejected that argument. It did so, in part, because it found that "[t]he appearance of the respective marks ... negates any similarity." *Id.* The plaintiff's mark "appeared in plain font either above or below a monochromatic, stylized scallop shell with a pearl at the center of the shell. In contrast, Mattel's packaging depicts a bright pink radial sculpture clamshell tilted to one side with the words 'Pearl Beach' in wavy, sandy-textured script with glittery accents over the name 'Barbie.' " *Id.* The facts in the present case are different. The marks at issue here do not contain such distinguishing features. Thus, no evidence has been presented that either of the marks uses a particular font or is accompanied by an image or symbol.

***7** An ordinary consumer may interpret the "Micro G Defy" name as incorporating Plaintiff's "G Defy" mark, preceded by a modifier ("Micro") and Defendants' house mark ("Under Armour"). An ordinary consumer may believe that Under Armour is licensed to sell a smaller version of the "G Defy" shoe or a shoe containing a smaller version of the spring technology in the "G Defy" shoe. For these reasons, there is a triable issue as to the similarity of the marks.

4. *Evidence of Actual Confusion*

Plaintiff presents only de minimis evidence of actual confusion as a result of Defendants' alleged infringement. [5] Plaintiff contends that "[t]he lack of actual confusion evidence can be attributed to Defendants' failure to produce requested documents during discovery" such as customer information that would have allowed it to identify "customers who mistakenly purchased Micro G Defy shoes instead of Plaintiff's G Defy® shoes." Dkt. 145, at 19. Plaintiffs did not argue in response to the Motion that, pursuant to Fed.R.Civ.P. 56(d), the consideration of the Motion should be deferred until they could pursue such discovery.

Although "[a] showing of actual confusion among significant numbers of consumers provides strong support for the likelihood of confusion, ... actual confusion is not necessary to a finding of likelihood of confusion under the Lanham Act." *Network Automation, Inc.,* 638 F.3d at 1151 (internal citations omitted). "Indeed, '[p]roving actual confusion is difficult ... and the courts have often discounted such evidence because it was unclear or insubstantial.' " *Id.* (quoting *Sleekcraft,* 599 F.2d at 352) (alterations in original). Because of the absence of evidence of actual confusion, this factor weighs in favor of Defendants. However, "this factor is weighed heavily only when there is evidence of past confusion or, perhaps, when the particular circumstances indicate such evidence should have been available." *Sleekcraft,* 599 F.2d at 353. Such circumstances are not present. Accordingly, this factor is not accorded substantial weight.

5. *Type of Goods and Degree of Care Likely to Be Exercised by Purchaser*

"Low consumer care ... increases the likelihood of confusion ." *Playboy Enterprises, Inc. v. Netscape Comms. Corp.,* 354 F.3d 1020, 1028 (9th Cir.2004). "In assessing the likelihood of confusion to the public, the standard used by the courts is the typical buyer exercising ordinary caution." *Sleekcraft,* 599 F.2d at 353. "When the buyer has expertise in the field, a higher standard is proper though it will not preclude a finding that confusion is likely. Similarly, when the goods are expensive, the buyer can be expected to exercise greater care in his purchases; again, though, confusion may still be likely." *Id.* (internal citations omitted).

Defendants contend that the "G Defy" shoes are "specialized goods" that are "designed for customers with specialized needs, such as persons who cannot wear ordinary shoes without pain or stress." Dkt. 136, at 15. They also contend that, "[a]s a basic proposition, internet shoppers are careful." *Id.* at 16 (citing *Network Automation, Inc.,* 638 F.3d at 1152). Plaintiff argues that its "[g]eneral claims about the shoes' benefits do not turn [the] shoes into 'specialized' goods." Dkt. 145, at 17. It argues that its shoes are relatively inexpensive and are sold to end users, not to more sophisticated professional or wholesale buyers. *Id.* at 16.

***8** Although consumers with particular health issues, such as knee and back pain, may purchase the "G Defy" shoe because of its "springy" soles, consumers without such health issues may also purchase the shoe because of that feature. As discussed above, Plaintiff advertises the "G Defy" shoe as one that has a "trampoline sole" that "absorbs shock and propels you forward, leaving you feeling energized and relaxed." Dkt. 148, Coleman Dec'l, Exh. B, at 2. Thus, Plaintiff advertises the "G Defy" shoe as one that is comfortable and provides medical and athletic performance benefits. Finally, the shoes are relatively inexpensive products that are sold directly to end users.

Defendants rely on *Network Automation, Inc.,* 638 F.3d at 1152, for the proposition that, in general, internet shoppers are careful. In *Network Automation,* the Ninth Circuit concluded that "the degree of consumer care is becoming more heightened as the novelty of the Internet evaporates and online commerce becomes commonplace." *Id.* It did not hold that internet shoppers are more careful than other shoppers. 638 F.3d at 1152. Rather, it overturned a "conclusion reached by our court more than a decade ago ... that Internet users on the whole exercise a low degree of care." *Id.* at 1153. Thus, *Network Automation, Inc.* does not stand for the proposition that internet shoppers are generally careful. Therefore, for the reasons set forth above, there is a triable issue of fact as to the sophistication of the relevant consumers.

6. *Defendants' Intent in Adopting the Mark*

"When the alleged infringer knowingly adopts a mark similar to another's, reviewing courts presume that the defendant can accomplish his purpose: that is, that the public will be deceived." *Sleekcraft,* 599 F.2d at 354. Plaintiff contends that Defendants "intentionally adopted the brand name 'Micro G Defy' to take advantage of the goodwill created by Plaintiff's branding efforts and direct response marketing to date, and used a variation of the G–Defy name to confuse health conscious buyers who had been exposed to Plaintiff's brand messages and redirected them to their own products." Dkt. 145, at 18. In support of its position, Plaintiff relies on the declaration of Elnekaveh. Dkt. 148. He states, "[g]iven that we actively participate in various conferences and conventions in the shoe industry, and our extensive advertising campaign, Defendants knew about us and our G Defy® mark." *Id.* at ¶ 5.

"Adopting a designation with knowledge of its trademark status permits a presumption of intent to deceive." *Interstellar Starship Srvcs., Ltd. v. Epix Inc.,* 184 F.3d 1107, 1111 (9th Cir.1999). However, Plaintiff did not present evidence to support the conclusion of Elnekaveh that Under Armour knew of the G Defy® mark and intentionally sought to confuse consumers. Nor is this a reasonable inference from the evidence that has been presented. For example, the weakness of the "G Defy" mark, compared to the Under Armour mark, is inconsistent with Plaintiff's position that Under Armour sought to "trad[e] on [its] relatively obscure name." *Lindy Pen Co., Inc. v. Bic Pen Corp.,* 982 F.2d 1400, 1406 (9th Cir.1993). As discussed above, Plaintiff has not presented evidence about how much of its advertising has been conducted in support of the "G Defy" shoe as opposed to other Gravity Defyer products. And, that Under Armour uses the trademark "Micro G" in connection with over 600 styles of shoe—only one of which is the "Defy" style—supports an inference that the resulting similarity of the "Micro G Defy" name to Plaintiff's "G Defy" mark was not intentional.

***9** However, the Ninth Circuit has "emphasized the minimal importance of the intent factor." *GoTo.com, Inc. v. Walt Disney Co.,* 202 F.3d 1199, 1208 (9th Cir.2000). "Importantly, an intent to confuse customers is not required for a finding of trademark infringement." *Brookfield,* 174 F.3d at 1059 (citing *Dreamwerks,* 142 at 1132 ("Absence of malice is no defense to trademark infringement.")). InGoTo.com, the court declined to "rummage through the record in a quixotic attempt to determine Disney's intention. For even if we did and concluded that Disney was as innocent as a fawn with *no* intent to copy or appropriate GoTo's logo, it would prove nothing since no such intent is necessary to demonstrate a likelihood of confusion. We need inquire no further into Disney's intent." 202 F.3d at 1208. Accordingly, although this factor weighs in favor of Defendants, it is not accorded substantial weight.

7. *Labeling and Appearance of the Advertisements and Surrounding Context on the Screen Displaying the Results Page*

"In the keyword advertising context the 'likelihood of confusion will ultimately turn on what the consumer saw on the screen and reasonably believed, given the context.' " *Network Automation, Inc.,* 638 F.3d at 11153 (quoting *Hearts on Fire Co. v. Blue Nile, Inc.,* 603 F.Supp.2d 274, 289 (D.Mass.2009)). Where an online advertisement appears similar to a protected trademark and does not "clearly identify [its] source" or is "unlabeled," it may be "more likely to mislead consumers into believing" that by clicking on the advertisement they will be directed to the product sold under the protected trademark. *Id.* at 1147.

Defendants contend that, "[i]n the internet search results on which Plaintiff's claims are based, the Under Armour product listings are all clearly labeled as being Under Armour products." Dkt. 136, at 18. Plaintiff contends that "Defendants' advertisements were not clearly labeled." Dkt. 145, at 21. For example, nearly all of the advertisements presented by Plaintiff do not include the "®" symbol after the term "Micro G," which, according to Defendants, confirms a separation of the "Micro G" line name from the "Defy" style name. Dkt. 136–2, Exh. K. And, at least one advertisement, by Defendant Finish Line, uses the term "G Defy Men's Running Shoes" without using "Micro" or "Under Armour." *Id.* at 57.

Nearly all of Defendants' advertisements are labeled as "Under Armour Micro G Defy." Plaintiff's advertisements are labeled as "G Defy" or "Gravity Defyer." As a result, a reasonable juror may find that a consumer who enters the term "g defy" into an internet search engine "knows, or should know ... that a product or web link is not related to that of the trademark holder because the list produced by the search engine so informs him." *Playboy Enterprises, Inc.,* 354 F.3d at 1034–35. However, Plaintiff's theory in this case is that consumers may believe that the "Under Armour Micro G Defy" shoes sold are approved by or connected with Gravity Defyer. Given the overlap in the marks, and that the shoes have certain similarities, that Defendants generally label their shoes as "Under Armour" does not show the absence of a triable issue with respect to whether consumers may infer that there is an association between the competing shoes or the companies that sell them. Accordingly, there is a triable issue as to whether the appearance of the online advertisements and surrounding context would cause an ordinary consumer erroneously to conclude that there is an association between Plaintiff and Defendants.

* * *

***10** For the reasons set forth above, there are triable issues of fact as to several of the relevant *Sleekcraft* factors: (i) whether the products are sufficiently related such that an ordinary consumer would be "likely to associate" them. *Surfvivor Media, Inc.,* 406 F.3d at 633; (ii) whether Defendants used Plaintiff's mark or a similar one; and (iii) the degree of care likely to be exercised by ordinary consumers who are seeking to purchase Plaintiff's product. As a result, Defendants have not shown the absence of a genuine issue of material fact with respect to consumer confusion about the parties' products.

IV. *Conclusion*

For the reasons set forth above, the Motion is DENIED.

IT IS SO ORDERED.

All Citations

Not Reported in F.Supp.2d, 2014 WL 3766724

Footnotes

1 The fifth *Sleekcraft* factor—whether the goods were advertised in "convergent marketing channels"—is "less important when the marketing channel is less obscure." *Network Automation, Inc.,* 638 F.3d at 1151. "Today, it would be the rare commercial retailer that did not advertise online, and the shared use of a ubiquitous marketing channel does not shed much light on the likelihood of consumer confusion." *Id.* Therefore, that both of the products at issue in this action are advertised on the internet does not by itself establish that this factor weighs in favor of Plaintiff. *Id.* Similarly, the eighth *Sleekcraft* factor—likelihood of expansion—does not bear substantial weight in this case. Plaintiff presents some evidence that it is "considering expanding" to children shoes. Elnekaveh Dec'l, Dkt. 148, ¶ 6. However, neither party has presented substantial evidence as to the likelihood that Plaintiff will expand in a manner that would increase the competitive overlap between the parties' products.

2 "To establish that a descriptive term has secondary meaning, the plaintiff 'must show that the primary significance of the term in the minds of the consuming public is not the product but the producer.' " *Transgo, Inc. v. Ajac Transmission Parts Corp.,* 768 F.2d 1001, 1015 (9th Cir.1985) (quoting *Kellogg Co. v. Nat'l Biscuit Co.,* 305 U.S. 111, 118, 59 S.Ct. 109, 83 L.Ed. 73 (1938)).

3 In *Hutchinson,* "the senior user's mark [was] the title of a magazine, and the junior user's mark [was] the stage name for a rap performer. Accordingly [the court] focus[ed] upon the consumers of the junior user's services." 769 F.Supp. at 546.

4 Defendants also contend that Plaintiff's mark is weak because several other entities use the word "defy" as part of trademarks used in connection with the sale of apparel, including shoes. Dkt. 136, at 13. Although the existence of other similar marks reduces the likelihood that consumers will be "confused by any two in the crowd," *Sand Hill Advisors, LLC v. Sand Hill Advisors, LLC,* 680 F.Supp.2d 1107, 1119 (N.D.Cal.2010), here the suggestive quality of Plaintiff's mark is based on the combination of the letter "G" and the word "defy." That the word "defy" is used in other marks does not weaken the distinctiveness of the mark "G Defy." Nevertheless, for the reasons set forth above, at present there is not a triable issue as to the element of the likelihood of confusion test that is based on the strength of Plaintiff's mark.

5 At his deposition, Elnekaveh testified that a customer service agent at Gravity Defyer had received a phone call asking "if Under Armour is selling our shoes or using our—our system, our trampoline system in our shoes or something like that." Dkt. 136–1, Anderson Dec'l, Exh. 8, at 8–9. Plaintiff receives 3,500 to 4,200 phone calls per week. Dkt. 156–1, ¶ 21. The identification of one call reflecting confusion out of several thousand is de minimis. *See* *Nutri/Sys., Inc. v. Con–Stan Indus., Inc.,* 809 F.2d 601, 606 (9th Cir.1987) ("[I]n light of both parties' high volume of business, the misdirection of several letters and checks proved insignificant" for proving actual confusion); *Official Airline Guides, Inc. v. Goss,* 6 F.3d 1385, 1393 (9th Cir.1993) (Confusion reflected in seven out of 80,000 listing forms was *de minimis* evidence of actual confusion). Further, this proffered evidence is hearsay.

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EXHIBIT 11

2012 WL 3721350
Only the Westlaw citation is currently available.
United States District Court,
N.D. Illinois,
Eastern Division.

MORNINGWARE, INC., Plaintiff,
v.
HEARTHWARE HOME PRODUCTS, INC., Defendant.
IBC–Hearthware, Inc. d/b/a Hearthware Home Products, Inc., Plaintiff,
v.
Morningware, Inc., Defendant.

No. 09 C 4348.
|
Aug. 27, 2012.

Attorneys and Law Firms

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MEMORANDUM OPINION AND ORDER

AMY J. ST. EVE, District Judge.

***1** On July 20, 2009, Plaintiff Morningware, Inc. ("Morningware"), filed its Complaint against Hearthware Home Products, Inc. ("Hearthware"), alleging that Hearthware had commercially disparaged Morningware's counter-top oven, had committed the common-law tort of unfair competition, and had violated the Deceptive Trade Practices Act of Illinois, as well as the unfair-competition and product-disparagement provisions of the federal Lanham Act. (R. 1.) Separately, Hearthware brought an action against Morningware alleging that the latter had infringed U.S. Patent No. 6,201,217 ("the '217 Patent"). (*IBC–Hearthware, Inc. v. Morningware, Inc.,* No. 09–CV–4903 (N.D.Ill.) (R. 1).) The Court consolidated both cases on August 26, 2009. (Id.(R.19).) Morningware filed an Amended Complaint on November 4, 2011. (R. 244, First Am. Compl. ("Complaint").) Before the Court are the following:

1) Morningware's motion for summary judgment on Counts I through V of its First Amended Complaint (R. 279);

Hearthware's cross-motion for summary judgment on Counts I through V of Morningware's First Amended Complaint (R. 317);

3) Morningware's motion to strike the affidavit of James H. Nelems (R. 308); and

4) Morningware's motion to exclude the Vanderhart Rebuttal Report and Documents Produced After the Close of Discovery (R. 309). [1]

For the following reasons, the Court denies Morningware's motion for summary judgment; denies Hearthware's cross-motion for summary judgment; grants Morningware's motion to strike Mr. Nelems' affidavit; and denies, without prejudice, Morningware's motion to exclude Dr. Vanderhart's rebuttal report and documents produced after the close of discovery.

BACKGROUND

I. Northern District of Illinois Local Rule 56.1

"For litigants appearing in the Northern District of Illinois, the Rule 56.1 statement is a critical, and required, component of a litigant's response to a motion for summary judgment. The purpose of the local rule is to make the summary judgment process less burdensome on district courts, by requiring the parties to nail down the relevant facts and the way they propose to support them." *Sojka v. Bovis Lend Lease, Inc.,* 686 F.3d 394, 398 (7th Cir.2012). Local Rule 56.1 assists the Court by "organizing the evidence, identifying undisputed facts, and demonstrating precisely how each side propose[s] to prove a disputed fact with admissible evidence." *Bordelon v. Chi. Sch. Reform Bd. of Trs.,* 233 F.3d 524, 527 (7th Cir.2000). "The Rule is designed, in part, to aid the district court, 'which does not have the advantage of the parties' familiarity with the record and often cannot afford to spend the time combing the record to locate the relevant information,' in determining whether a trial is necessary."

Delapaz v. Richardson, 634 F.3d 895, 899 (7th Cir.2011) (citation omitted).

Local Rule 56.1(a)(3) requires the moving party to provide "a statement of material facts as to which the moving party contends there is no genuine issue." *Cracco v. Vitran Exp., Inc.,* 559 F.3d 625, 632 (7th Cir.2009). "The opposing party is required to file 'a response to each numbered paragraph in the moving party's statement, including, in the case of any disagreement, specific references to the affidavits, parts of the record, and other supporting materials relied upon.' " *Id.* (citing N.D. Ill. R. 56.1(b)(3)(B)). Pursuant to the Local Rules, the Court will not consider any additional facts proposed in the nonmoving party's Local Rule 56.1(b)(3)(B) response, but must rely on the nonmovant's Local Rule 56.1(b)(3)(C) statement of additional facts. *See Ciomber v. Coop. Plus, Inc.,* 527 F.3d 635, 643 (7th Cir.2008). The Court disregards Rule 56.1 statements and responses that do not cite to specific portions of the record, as well as those that contain factual or legal argument. *See Cracco,* 559 F.3d at 632 ("When a responding party's statement fails to dispute the facts set forth in the moving party's statement in the manner dictated by the rule, those facts are deemed admitted for purposes of the motion."); *Cady v. Sheahan,* 467 F.3d 1057, 1060 (7th Cir .2006) ("statement of material facts did [ ] not comply with Rule 56 .1 as it failed to adequately cite the record and was filled with irrelevant information, legal arguments, and conjecture"); *Bordelon,* 233 F.3d at 528 (the requirements for responses under Local Rule 56.1 are "not satisfied by evasive denials that do not fairly meet the substance of the material facts asserted"); *Cichon v. Exelon Generation Co., L.L.C.,* 401 F.3d 803, 809–10 (7th Cir.2005) ("A district court does not abuse its discretion when, in imposing a penalty for a litigant's non-compliance with Local Rule 56. 1, the court chooses to ignore and not consider the additional facts that a litigant has proposed.").

II. The Parties Failed to Comply with Local Rule 56.1

***2** The parites' Local Rule 56.1 statements and responses contain significant problems. Several of Morningware's "statements of material facts," for example, are either unsupported by citations to the evidence, or they are not statements of fact at all, but rather legal argument or legal conclusions. (*See* R. 280, Morningware's Local Rule 56.1(a)(3) Statement of Facts in Support of its Mot. for Summ. J. ("Morningware's SOF") ¶¶ 7, 25, 27–41, 47, 49, 52–53.) In addition, most of Hearthware's Local Rule 56.1(b)(3)(C) additional statements of material fact suffer from the same problems. (*See, e.g.,* R. 298, Hearthware's Local Rule 56.1 Statement of Additional Material Facts That Require Denial of Morningware's Mot. for Summ. J. ("Hearthware's Add'l SOF") ¶¶ 7–28, 30–37.) As explained above, the purpose of Local Rule 56.1 statements is to identify the relevant admissible evidence supporting the material facts, not to make factual or legal arguments. *See Cady,* 467 F.3d at 1060; *see also Judson Atkinson Candies, Inc. v. Latini–Hohberger Dhimantec,* 529 F.3d 371, 382 n. 2 (7th Cir.2008) ("It is inappropriate to make legal arguments in a Rule 56.1 statement of facts."). As such, the Court will not deem these "facts" as true unless the opposing party admits them.

Moreover, Hearthware's Local Rule 56.1(b)(3)(B) responses to Morningware's Local Rule 56.1(a)(3) statement of facts largely fail to comply with the Local Rule 56.1. Specifically, Local Rule 56. 1(b)(3)(B) requires the opposing party "to file 'a response to each numbered paragraph in the moving party's statement, including, in the case of any disagreement, specific references to the affidavits, parts of the record, and other supporting materials relied upon.' " *Cracco,* 559 F.3d at 632 (quoting N.D. Ill. R. 56.1(b)(3)(B)). Hearthware's responses do not cite specific, or even general, portions of the record or other evidence in support of its denials of Morningware's statements of fact. Instead, Hearthware states, in the majority of its denials, that because "Hearthware does not have personal knowledge of the facts presented," it denies the particular statement of fact. While such a response is permissible in an answer to a complaint, *see* Fed.R.Civ.P. 8(b)(5), it is an insufficient response to a Rule 56.1 statement of fact. *See* N.D. Ill. R. 56. 1(b)(3)(B); *Cracco,* 559 F.3d at 632. As such, for the particular statements of fact that contain such a response from Hearthware, the Court deems Morningware's statements of fact as admitted for the purposes of its motion. *See Cracco,* 559 F.3d at 632; *see also Sojka,* 686 F.3d at 398 ("The obligation set forth in Local Rule 56.1 'is not a mere formality.' Rather, '[i]t follows from the obligation imposed by Fed.R.Civ.P. 56(e) on the party opposing summary judgment to identify specific facts that establish a genuine issue for trial.' ") (quoting *Delapaz v. Richardson,* 634 F.3d 895, 899 (7th Cir.2011) (internal citations omitted)). [2]

***3** The parties also failed to cite to the Rule 56.1 Statements of Fact in their respective memoranda of law, and instead cited to the record directly. In memoranda of law in support of, or in opposition to, summary judgment, parties should cite to the specific statement(s) of fact in support of the argument, not to the record directly. *See LaSalvia v. City of Evanston,* 806 F.Supp.2d 1043, 1046 (N.D.Ill.2011) (citing *Malec v. Sanford,* 191 F.R.D. 581, 586 (N.D.Ill.2000) (citations in the fact section should be to the 56.1(a) or (b) statement of facts only)).

RELEVANT FACTS

The Court now turns to the facts relevant to Counts I–V of Morningware's Complaint. Hearthware is a corporation organized under Illinois law, with its principal place of business at 1795 North Butterfield Road, Libertyville, Illinois. (Hearthware's Add'l SOF ¶ 2.) Morningware is a corporation organized under Illinois law, with its principal place of business at 1699 Wall Street, Mount Prospect, Illinois. (*Id.* ¶ 3.) Morningware has only one employee. (*Id.* ¶ 29.) The Court has subject matter jurisdiction pursuant to 15 U.S.C. § 1121(a), 28 U.S.C. §§ 1331, 1338(b), and 1367(a). (*Id.* ¶ 4.) Venue is proper in this District pursuant to 28 U.S.C. § 1391(b) and (c). (*Id.* ¶ 6.)

Morningware owns United States Trademark Registration No. 3,802,040, which issued on June 15, 2010, for "MORNINGWARE." (Morningware's SOF ¶ 4.) The registration is for use in small electric kitchen appliances-namely, infrared wave-producing convection ovens. (*Id.)* It has used this mark since at least 2002. (*Id.* ¶ 5.) Morningware markets, advertises, and sells counter-top electronic ovens in the United States, primarily via the internet, through its website at www.morningware.com, and through retail. (*Id.* ¶¶ 1–2.) Morningware also has promoted its Morningware Halogen/Halo Oven at tradeshows and through infomercials and catalogs. (*Id.* ¶ 3.) Since at least January 2009, Morningware has used the designation "Halo" to identify its counter-top electronic ovens. (*Id.* ¶ 6.) Morningware has not given Hearthware permission to use the terms "Morningware" or "Halo." (*Id.* ¶ 8.)

Hearthware has participated in "pay-per-click" ("PPC") internet advertising through various search engine providers. (*Id* . ¶ 9.) Specifically, Hearthware purchased the keywords "Morningware" and "Morning Ware" from the Google, Yahoo!, and MSN search engines from October 14, 2008 through July 7, 2009. (*Id.* ¶ 10.) Hearthware uses keyword advertising with Yahoo! and Bing, through which Hearthware pays to have its ads displayed when a user searches for a word or phrase that Hearthware defines. (*Id.* ¶¶ 11–12.) Through this type of advertising, when a user searches the term "morningware," Hearthware's ad appears at the top of the search results. (*Id.* ¶ 13.) The ad contains a link to Hearthware's website, www.mynuwaveoven.com, and states that "[t]he Real NuWave® Oven Pro *Why Buy an Imitation?* 90–Day Gty." (*Id.* ¶¶ 13, 48.) When a user clicks on Hearthware's ad, the user is directed to Hearthware's website. (*Id.* ¶ 13.)

***4** Hearthware has purchased or bid on the following keywords: morningware, morning ware, by morningware, halo oven by morningware, morningware halo oven, morningware halo oven reviews, halogen oven by morningware, morningware oven, morning ware oven, morningware halogen oven, morningware infrared oven, morning ware infrared oven, morningware infrared halogen oven, morningware convection oven, morningware reviews, morningware HO 1200, morningware com, oven by morningware, halo trainer, halo halogen oven, halo infrared oven, halo convection oven, halo countertop oven, halo oven reviews. (*Id.* ¶ 14.) Hearthware has initiated approximately ten "campaigns" for Google AdWords, which included ads that Hearthware created to display when a user searches keywords that Hearthware bid on. (*Id.* ¶¶ 15–16.)

Before April 1, 2011, Hearthware lumped all of its AdWords campaigns under a single "Campaign No. 1." (*Id.* ¶ 17.) Hearthware used the "Morningware" mark and "Halo" in Campaign No. 1. (*Id.*) On April 1, 2011, Mr. David Kaplan began working at Hearthware. (*Id.* ¶ 18.) At some point thereafter, at Mr. Kaplan's direction, Hearthware began employing a "competitor campaign," which included using the "Morningware" mark and the "Halo" designation. (*Id.* ¶ 19.) Hearthware stopped this campaign when its counsel instructed Mr. Kaplan to do so. (*Id.* ¶ 20.) When it purchased these keywords, Hearthware knew that Morningware was a direct competitor. (*Id.* ¶ 21.)

Hearthware's purchase and use of keywords is in "interstate commerce." (*Id.* ¶ 26.) Hearthware bid on a total of twenty-five keywords that incorporated the "Morningware" and/or "Halo" designations, and Hearthware chose to bid on those specific keywords with the intent that the search engines would place Hearthware's ads in the search results. (*Id.* ¶¶ 38–40.)

Morningware's expert, Mr. James Berger, conducted a survey on behalf of Morningware to determine whether Hearthware's use of Morningware's marks creates confusion among consumers. (*Id.* ¶ 42.) Mr. Berger concluded that 43% of persons surveyed believed they could purchase Morningware's oven from Hearthware's advertised website for its NuWave® Oven. (*Id.*)

SUMMARY JUDGMENT STANDARD

Summary judgment is appropriate "if the movant shows that there is no genuine dispute as to any material fact and the movant is entitled to judgment as a matter of law." Fed.R.Civ.P. 56(a). A genuine dispute as to any material fact exists if "the evidence is such that a reasonable jury could return a verdict for the nonmoving party." *Anderson v. Liberty Lobby, Inc.,* 477 U.S. 242, 248, 106 S.Ct. 2505, 2510, 91 L.Ed.2d 202 (1986). In determining summary judgment motions, "facts must be viewed in the light most favorable to the nonmoving party only if there is a 'genuine' dispute as to those facts." *Scott v. Harris,* 550 U.S. 372, 380, 127 S.Ct. 1769, 167 L.Ed.2d 686 (2007). The party seeking summary judgment has the burden of establishing that there is no genuine dispute as to any material fact. *See Celotex Corp. v. Catrett,* 477 U.S. 317, 323, 106 S.Ct. 2548, 91 L.Ed.2d 265 (1986). After "a properly supported motion for summary judgment is made, the adverse party 'must set forth specific facts showing that there is a genuine issue for trial.' " *Anderson,* 477 U.S. at 255 (quotation omitted). "[D]istrict courts presiding over summary judgment proceedings may not weigh conflicting evidence or make credibility determinations, both of which are the province of the jury." *Omnicare, Inc. v. UnitedHealth Grp., Inc.,* 629 F.3d 697, 704–05 (7th Cir.2011) (internal citations omitted).

MORNINGWARE'S MOTIONS TO STRIKE AND EXCLUDE

***5** Morningware has filed two ancillary motions that relate to the Court's consideration of its motion for summary judgment and Hearthware's cross-motion. The first is a motion to strike the affidavit of James H. Nelems, and the second is a motion to exclude the rebuttal report of Dr. Jennifer Vanderhart and documents Hearthware produced after the close of discovery upon which Dr. Vanderhart relies. (R. 308, 309.) For the following reasons, the Court grants Morningware's motion to strike and denies, without prejudice, Morningware's motion to exclude.

I. The Court Grants Morningware's Motion to Strike Mr. Nelems' Affidavit

Federal Rule of Civil Procedure 37(c) provides that "[i]f a party fails to provide information or identify a witness as required by Rule 26(a) or (e), the party is not allowed to use that information or witness to supply evidence on a motion, at a hearing, or at a trial, unless the failure was substantially justified or is harmless." Fed.R.Civ.P. 37(c)(1). Exclusion of the untimely-disclosed evidence is automatic unless the non-compliant party meets its burden to show that the untimely disclosure was substantially justified or harmless. *Tribble v. Evangelides,* 670 F.3d 753, 760 (7th Cir.2012) ("Under Rule 37(c)(1), 'exclusion of non-disclosed evidence is automatic and mandatory ... unless non-disclosure was justified or harmless.' ") (quoting *Musser v. Gentiva Health Servs.,* 356 F.3d 751, 758 (7th Cir.2004)); *David v. Caterpillar, Inc.,* 324 F.3d 851, 857 (7th Cir.2003) ("the sanction of exclusion is automatic and mandatory unless the sanctioned party can show that its violation of Rule 26(a) was either justified for harmless").

The Court has broad discretion to determine whether a party's failure to comply with Rule 26(e) is substantially justified or harmless. *Keach v. U.S. Trust Co.,* 419 F.3d 626, 640 (7th Cir.2005); *David,* 324 F.3d at 857. The following factors are relevant to the Court's determination:

> (1) the prejudice or surprise to the party against whom the evidence is offered;
>
> (2) the ability of the party to cure the prejudice; (3) the likelihood of disruption to the trial; and (4) the bad faith or willfulness involved in not disclosing the evidence at an earlier date.

Tribble, 670 F.3d at 760 (citing David, 324 F.3d at 857).

This case has been pending for over three years. The Court has repeatedly granted the parties' requests for discovery extensions. On December 8, 2011, the Court ordered the following expert discovery schedule: identification of burden of proof experts by January 5, 2012, exchange of burden of proof expert reports by February 2, 2012, identification of rebuttal experts on February 16, 2012, and exchange of rebuttal expert reports by March 15, 2012. (R. 256.) On February 27, 2012, at the parties' request, the Court granted an extension of the expert discovery schedule as follows: exchange of burden of proof expert reports by March 15, 2012, identification of rebuttal experts by March 29, 2012, and exchange of rebuttal expert reports by April 26, 2012. (R. 275.) The Court also set a dispositive motion deadline of June 7, 2012. (*Id.*)

***6** Morningware timely disclosed five experts, one of whom is Mr. James T. Berger. Mr. Berger's report details a survey that is relevant to Morningware's Lanham Act claims against Hearthware. Hearthware timely disclosed a damages expert and a patent expert. On April 6, 2012, one week after the Court's deadline, Hearthware re-identified its damages expert and its patent expert as rebuttal experts. Hearthware did not identify any additional experts.

On April 10, 2012, Morningware filed its motion for summary judgment on Counts I through V of its Complaint, in which it relies on Mr. Berger's report in support of its argument that Hearthware's conduct violated the Lanham Act. Specifically, Mr. Berger conducted a survey in which he attempted to determine whether Hearthware's advertisement caused confusion. Hearthware filed its opposition to Morningware's motion on June 2, 2012, attaching an affidavit from Mr. Nelems. Mr. Nelems' affidavit criticizes Mr. Berger's survey methodology and the conclusions in his report. Moreover, Hearthware relies upon Mr. Nelems' affidavit in support of its cross-motion for summary judgment. Prior to filing its response, Hearthware did not identify Mr. Nelems as an expert, nor did it disclose any of his opinions. Hearthware never sought leave of Court to disclose Mr. Nelems after the Court-ordered deadline.

Hearthware's untimely disclosure of Mr. Nelems' expert opinions is neither harmless nor substantially justified. *See Tribble,* 670 F.3d at 760. Discovery has closed, and the time for filing dispositive motions has passed. Morningware represents that it moved for summary judgment based, at least in part, on the fact that Hearthware had not retained an expert to rebut Mr. Berger's opinions. Allowing Hearthware to rely on expert evidence disclosed for the first time in response to summary judgment would severely prejudice Morningware. It would require the Court to re-open discovery to allow Morningware to depose Mr. Nelems, and it would require the parties to re-assess their summary judgment strategy, and if necessary, re-file revised motions for summary judgment. The time and expense associated with those circumstances cannot be characterized as harmless.

Moreover, Hearthware has woefully failed to convince the Court that its untimely disclosure was "substantially justified." Hearthware argues that because it hired Mr. Nelems as a "consulting" expert, it did not need to identify him to Morningware or offer a report within the Court's expert discovery schedule. Hearthware's argument, however, reflects a gross misunderstanding regarding the difference between a consulting expert and a testifying expert, as well as the purpose of summary judgment. Consulting experts do not offer testimonial evidence during a litigation proceeding, and parties are therefore not entitled to discovery from consulting experts. *See* Fed.R.Civ.P. 26(b)(4)(D). Testifying experts, however, offer testimony that the parties use as evidence, and therefore the parties are entitled to discovery regarding these experts and their opinions. *See* Fed.R.Civ.P. 26(a)(2) and 26(b)(4)(A).

***7** Although Hearthware initially may have intended Mr. Nelems to serve only as a consulting expert, when Mr. Nelems submitted a sworn affidavit (i.e., testimony) to the Court in connection with its opposition to summary judgment and its cross-motion for summary judgment, Mr. Nelems became a testifying expert. That Hearthware submits the testimony in connection with summary judgment and not trial is of no consequence, given that the purpose of summary judgment is to determine, based on all of the evidence gleaned in discovery, whether any disputed issues of material fact exist for trial. *See Johnson v. Cambridge Indus., Inc.,* 325 F.3d 892, 901 (7th Cir.2003) ("[S]ummary judgment is the 'put up or shut up' moment in a lawsuit, when a party must show what evidence it has that would convince a trier of fact to accept its version of events."); *see also Siegel v. Shell Oil Co.,* 612 F.3d 932, 937 (7th Cir.2010) (same).

Adopting Hearthware's reasoning would allow parties to hire "consulting" experts, fail to disclose them to opposing counsel, and then submit affidavits from those experts to block summary judgment (and in this case, to obtain summary judgment in the noncompliant party's favor). Such a result is non-sensical and runs counter to the Federal Rules of Civil Procedure. Morningware's motion to strike is granted. The Court will not consider Mr. Nelems' opinions in ruling on the summary judgment motions, and he may not testify at trial.

II. The Court Denies, Without Prejudice, Morningware's Motion to Exclude Dr. Vanderhart's Rebuttal Report and Documents That Hearthware Produced After the Close of Discovery

The Court next considers Morningware's motion to exclude the rebuttal report of Dr. Jennifer Vanderhart and certain documents that Hearthware produced after the close of discovery. Morningware argues that Dr. Vanderhart's rebuttal report, which Hearthware timely disclosed, "improperly attempts to supplement her earlier Report ... to include opinions on damages issues pertaining to Morningware's Lanham Act and related claims" even though her initial report did not opine on damages relating to those claims. (R. 309, Morningware's Mot. to Exclude at 1.) Morningware further argues that Dr. Vanderhart relied on documents that Hearthware refused to produce to Morningware during discovery and which Hearthware produced only after disclosing Dr. Vanderhart's report.

The parties agree that, in a Lanham Act case seeking lost profits, the plaintiff has the burden of proving the defendant's sales, and then the burden shifts to the defendant to prove its costs or other deductions. *See* 15 U.S.C. § 1117(a) ("In assessing profits the plaintiff shall be required to prove defendant's sales only; defendant must prove all elements of cost or deduction claimed."). Hearthware disclosed Dr. Vanderhart's initial report on March 16, 2012, in which she opined on Hearthware's damages arising out of its patent and Lanham Act claims against Morningware. (R. 309–1, Vanderhart Initial Report.) Dr. Vanderhart did not proffer any opinions on Morningware's Lanham Act claims against Hearthware in that report. Morningware disclosed a "report" from Mr. Jon Tepp, whom Morningware contends is not an expert, on March 14, 2012 regarding Hearthware's sales of its NuWave ovens. Morningware contends that because Mr. Tepp is not an expert, Dr. Vanderhart was not entitled to rebut his report. After Hearthware cross-moved to exclude Mr. Tepp's report, Morningware represented to the Court that it will not use Mr. Tepp's report, and Mr. Tepp will not testify at trial. Indeed, Morningware does not rely on Mr. Tepp's report in its summary judgment motion. As such, the Court denied Hearthware's cross-motion as moot. (R. 334.) Given that Mr. Tepp is no longer a witness in this case, and Morningware will not use his report at trial, Dr. Vanderhart's rebuttal opinions on Morningware's Lanham Act claims appear unnecessary. Accordingly, the Court denies, without prejudice, Morningware's motion to exclude.

***8** Dr. Vanderhart's contested opinion is not material to the pending motions for summary judgment, and thus the Court does not consider it. The parties should meet and confer after receiving this Order to determine whether Hearthware intends to offer Dr. Vanderhart's rebuttal opinions at trial. If necessary, Morningware may re-file its motion to exclude before trial. [3]

MORNINGWARE'S MOTION FOR SUMMARY JUDGMENT ON COUNTS I–V OF ITS FIRST AMENDED COMPLAINT AND HEARTHWARE'S CROSS–MOTION FOR SUMMARY JUDGMENT ON THE SAME COUNTS

In its Complaint, Morningware asserts the following claims against Hearthware: unfair competition under the Lanham Act, 15 U.S.C. § 1125(a) (Count I); product disparagement under the Lanham Act, 15 U.S.C. § 1125(a)(1)(B) (Count II); violation of the Illinois Deceptive Trade Practices Act, 815 ILCS 510/2 ("the Illinois UDTPA") (Count III); common law unfair competition (Count IV); and common law commercial disparagement (Count V). [4] (R. 244, First Am. Compl.) Morningware has moved for summary judgment on all five counts, and Hearthware has cross-moved for summary judgment on the same counts.

I. The Court Denies Both Parties' Motions for Summary Judgment on Count I–False Representation of Origin Under 15 U.S.C. § 1125(a) (1)(A)

Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a)(1)(A), provides that

> (1) Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of

origin, false or misleading description of fact, or false or misleading representation of fact, which—

(A) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person ...

shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act.

15 U.S.C. § 1125(a)(1)(A). To prevail on its Lanham Act claim, Morningware must prove "(1) that [Morningware] owns a protectible trademark, and (2) that use of this mark by [Hearthware] is likely to cause confusion among customers." *Morningware, Inc. v. Hearthware Home Prods., Inc.,* 673 F.Supp.2d 630, 634 (N.D.Ill.2009) (quoting *Segal v. Geisha NYC LLC,* 517 F.3d 501, 506 (7th Cir.2008)). Morningware must also prove that Hearthware used the marks in interstate commerce. *See id.* at 635.

There is no genuine dispute that the "Morningware" mark and the "Halo" designation are protectible trademarks (Morningware's SOF ¶ 4–6), or that Hearthware used these marks in interstate commerce. (*Id.* ¶¶ 9–21, 26.) Accordingly, the Court turns to the likelihood of confusion element.

As the Seventh Circuit teaches, "[w]hether consumers are likely to be confused about the origin of a defendant's products or services is ultimately a question of fact" that may be resolved on a motion for summary judgment "only 'if the evidence is so one-sided that there can be no doubt about how the question should be answered.' " *Autozone, Inc. v. Strick,* 543 F.3d 923, 929 (7th Cir.2008) (quoting *McGraw–Edison Co. v. Walt Disney Prods.,* 787 F.2d 1163, 1167 (7th Cir.1986) and *Packman v. Chicago Tribune Co.,* 267 F.3d 628, 627 (7th Cir.2001)). " 'In assessing the likelihood of consumer confusion, [courts] consider (1) the similarity between the marks in appearance and suggestion, (2) the similarity of the products, (3) the area and manner of concurrent use of the products, (4) the degree of care likely to be exercised by consumers, (5) the strength of the plaintiff's marks, (6) any evidence of actual confusion, and (7) the defendant's intent to palm off its goods as those of the plaintiff's.' " *Morningware,* 673 F.Supp.2d at 636 (quoting *Promatek Indus., Ltd. v. Equitrac Corp. .,* 300 F.3d 808, 812 (7th Cir.2002)). Although "[n]one of these factors are dispositive and the proper weight given to each will vary in each case," the "similarity of the marks, the defendant's intent, and evidence of actual confusion are of particular importance." *Promatek,* 300 F.3d at 812 (citing *Ty, Inc. v. Jones Grp.,* 237 F.3d 891, 897–98 (7th Cir.2001)).

***9** While evidence exists in this case to support a finding of a likelihood of confusion, Morningware has failed to meet its heavy burden of showing that "the evidence is so one-sided that there can be no doubt about how the questions should be answered." *See Autozone,* 543 F.3d at 929. As such, the Court denies both parties' motion for summary judgment.

Morningware asserts a theory of "initial interest confusion," which the Seventh Circuit has held is actionable under the Lanham Act. *See Promatek,* 300 F.3d at 812. Initial interest confusion "occurs when a customer is lured to a product by the similarity of the mark, even if the customer realizes the true source of the goods before the sale is consummated." *Id.* In *Promatek,* the defendant diverted internet consumers to its website by placing the plaintiff's trademark in the defendant's website as a metatag.[5] *Id.* The court held that this had the effect of diverting the plaintiff's goodwill, even though consumers may have been "only briefly confused." *Id.* ("that confusion as to the source of a product or service is eventually dispelled does not eliminate the trademark infringement which has already occurred") (quoting *Forum Corp. of N. Am. v. Forum, Ltd.,* 903 F.2d 434, 442 n. 2 (7th Cir.1990)). "What is important is not the duration of the confusion, it is the misappropriation of [the plaintiff's] goodwill. [The defendant] cannot unring the bell." *Id.* at 812–13. Relying on *Promatek,* Morningware argues that consumers were confused when, upon searching for Plaintiff's trademark or a variation thereof, Hearthware's advertisement for its counter-top oven displayed in the search results.

Hearthware does not challenge Morningware's argument with respect to the first, second, and third likelihood of confusion factors. Specifically, there is no genuine dispute of material fact that Hearthware used Morningware's actual marks, which Morningware uses to advertise its counter-top ovens, in connection with the advertising and sale of Hearthware's NuWave® counter-top oven by purchasing those keywords that included Morningware's trademarks. (Morningware's SOF ¶¶ 9–13, 48.) Moreover, the marks are not only similar, but identical, and the products are very similar. The third factor, the area and manner of concurrent use of the products, also weighs in favor of a finding of confusion because both Morningware and Hearthware sell their respective counter-top ovens through the internet. (*Id.* ¶¶ 1–2, 13, 48.) The seventh factor—Hearthware's intent—is also largely undisputed. Hearthware bid on a total of twenty-five keywords that incorporated the "Morningware" and/or "Halo" designations. Hearthware chose to bid on those specific keywords with the intent that the search engines would place Hearthware's ads in the search results and knowing that Morningware is a direct competitor. [6] (*Id.* ¶ ¶ 21, 38–40.) These facts strongly support a finding that Hearthware intended to divert consumers to its website.

***10** The fourth factor—the degree of care likely to be exercised by customers—is less clear. Relying on *Promatek,* Morningware argues that the degree of care is "generally low" when a customer searches for a product on the internet, and therefore this factor weighs in favor of Morningware. (R. 279, Morningware's Mot. at 9.) Morningware further submits that the degree of care that a consumer uses when he or she decides on which links to click after the search results have been displayed on the webpage is the relevant consideration, as opposed to the degree of care that a consumer uses when actually purchasing the product. (*Id.;* R. 329, Morningware's Reply at 6.) Hearthware, on the other hand, focuses on the degree of care that a consumer uses when actually purchasing the product, and argues that because the ovens at issue cost between $80 and $100, consumers exercise a higher degree of care than with products that only cost a few dollars. [7] (R. 295, Hearthware's Resp. at 9–10); *see Autozone,* 543 F.3d at 932 ("[t]he more widely accessible and inexpensive the products and services, the more likely that consumers will exercise a lesser degree of care and discrimination in their purchases") (citation omitted).

Because Morningware asserts an initial interest confusion theory in this case, the relevant focus is the degree of care a consumer uses when deciding on which link to click after the search results are displayed on the webpage, as that is the point at which consumer confusion can occur. *See Promatek,* 300 F.3d at 812. This focus, however, does not mean that the nature of the goods, including the cost, as well as the relevant consumers' characteristics, are irrelevant to the degree of care factor. *See, e.g., Network Automation, Inc. v. Advanced Sys. Concepts, Inc.,* 638 F.3d 1137, 1152 (9th Cir.2011) ("The nature of the goods and the type of consumer is highly relevant to determining the likelihood of confusion in the keyword advertising context.... [T]he degree of care analysis cannot begin and end at the marketing channel.") (quoting *Brookfield Communications,* 174 F.3d at 1060). [8]

In *Network Automation,* a recent case involving keyword advertising over the internet, the Ninth Circuit held that the district court erred in determining that the degree of care factor favored a likelihood of confusion finding. 638 F.3d at 1153. In connection with the plaintiff's motion for a preliminary injunction, the district court, relying on the Ninth Circuit's conclusion in *Brookfield Communications,* had determined that the degree of care factor weighed in favor of a likelihood of confusion because "there is generally a low degree of care exercised by Internet consumers." *Id.* at 1152. The Ninth Circuit explained that while this conclusion may have been accurate at the time it decided *Brookfield Communications,* it "suspect[s] that there are many contexts in which it no longer holds true" due to consumers' evolving sophistication with respect to internet commerce. *Id.* at 1152–53 ("We have recently acknowledged that the default degree of consumer care is becoming more heightened as the novelty of the Internet evaporates and online commerce becomes commonplace."). Accordingly, "the degree of care analysis cannot begin and end at the marketing channel. We still must consider the nature and cost of the goods, and whether 'the products being sold are marketed primarily to expert buyers.' " *Id.* at 1152 (quoting *Brookfield Communications,* 174 F.3d at 1060). [9]

***11** The Court agrees with the observation and reasoning in *Network Automation,* which is not contrary to or inconsistent with the Seventh Circuit's decision in *Promatek.* Indeed, statistics from the United States Department of Commerce and the United States Census Bureau support this observation. *See Denius v. Dunlap,* 330 F.3d 919, 926 (7th Cir.2003) (taking judicial notice of information found on the website of a government agency); *Trundle v. Astrue,* No. 09–CV02058, 2010 WL 5421418, at * 11 n. 10 (E.D.Cal. Dec. 20, 2010) (taking judicial notice of the United States Department of Labor statistics) (citing cases). In 2000, for example, online business-to-consumer retail "shipments, sales, and revenues" equaled $28 billion. *See* United States Dep't of Commerce E–Stats Report for 2001, issued

March 19, 2003, *available at* http://www.census.gov//econ/estats/2001/2001 estatstext.pdf. In 2002, the year in which the Seventh Circuit issued *Promatek,* that figure rose to $44 billion. *See* United States Dep't of Commerce E–Stats Report for 2002, issued April 15, 2004, *available at* http://www.census.gov// econ/estats/2002/2002finaltext.pdf. By 2010, that number had nearly quadrupled to $169 billion. *See* United States Dep't of Commerce E–Stats Report for 2010, issued on May 10, 2012, *available at* www.census.gov/econ/estats/2010/2010reportfinal.pdf. Given the ever-increasing commonplace of consumers searching for and purchasing goods online, the fact that this case involves a theory of initial interest confusion in keyword advertising does not, without more, necessitate a finding that consumers exercise a low degree of care. The additional factors that the *Network Automation* court discussed—i.e., the nature and cost of the goods, as well as the characteristics of the target consumers—are relevant. Morningware has not sufficiently addressed or proven these additional factors. The degree of care factor, therefore, does not weigh clearly in favor of Morningware or Hearthware.

The fifth factor—the strength of Morningware's marks—favors a likelihood of confusion finding, but not overwhemingly so. A mark's "strength" refers to its distinctiveness, "meaning its propensity to identify the products or services sold as emanating from a particular source." *CAE, Inc. v. Clean Air Eng'g, Inc.,* 267 F.3d 660, 684 (7th Cir.2001). "The stronger the mark, the more likely it is that encroachment on it will produce confusion." *Autozone,* 543 F.3d at 933 (quoting 2 McCarthy § 11.73, at 11–169 to 170 (2008)). In determining the strength of the mark, courts consider, among other factors, the uniqueness of the mark, the length of use of the mark, the sales associated with the mark, and advertising expenditures connected with the mark. *See CAE,* 267 F.3d at 684.

The record contains sufficient evidence from which a jury could find this factor weighs in favor of Morningware. The terms "Morningware" and "Halo," for example, are arbitrary marks because they are not necessary to the description of a counter-top oven, and therefore they are unique marks. *See Sullivan v. CBS Corp.,* 385 F.3d 772, 776 (7th Cir.2004) (explaining that the word " 'survivor' when used as a band name is arbitrary because there is nothing about the word which is necessary to the description of a band"). [10] Moreover, the "Morningware" mark has been registered since 2010, and Morningware has used that mark on counter-top ovens for almost ten years. (Morningware's SOF ¶¶ 4–6.) Other evidence in the record (and the lack thereof) however, cuts against a finding of a strong mark. Morningware, for example, is a one-person company. (Hearthware's Add'l SOF ¶ 29.) Moreover, Morningware has not provided any evidence of the economic strength of its marks, such as the frequency with which it advertises the marks or the amount of money it spends to advertise them. [11] *Cf. Autozone,* 543 F.3d at 933 (noting that there was sufficient evidence to support the conclusion that the Autozone mark has economic and marketing strength where it "is displayed prominently on more than 3,000 stores nationwide and it has been the subject of hundreds of millions of dollars' worth of advertising since 1987"); *see also Flagstar Bank, FSB v. Freestar Bank, N.A.,* 687 F.Supp.2d 811, 832 (C.D.Ill.2009) ("evidence of the frequency of a mark's display and the amount of advertising dollars used to promote the mark are relevant factors when determining a mark's strength") (citing *Autozone,* 543 F.3d at 933)).

***12** The same is true for actual confusion, the sixth factor. In support of its assertion that Hearthware's use of Morningware's trademark has caused actual consumer confusion, Morningware submits a survey that its expert, Mr. Berger, conducted. Based on his survey, Mr. Berger concluded that 43% of persons surveyed believed they could purchase Morningware's oven from Hearthware's advertised website for its NuWave® Oven. (Morningware's SOF ¶ 42.) Hearthware does not present any expert testimony to rebut Mr. Berger's conclusions or to contest the methodology he employed in his survey.

Hearthware, however, criticizes Mr. Berger's survey on several independent grounds. It argues, for example, that Mr. Berger omitted consumers from the Southern portion of the United States from its survey, despite stating that he wanted a national sampling presence. (R. 360, Hearthware's Sur–Reply at 8.) Hearthware also argues that Mr. Berger's survey asked the respondents to make several inappropriate factual assumptions for which he could not provide an explanation. (*Id.*) Additionally, Hearthware submits that Mr. Berger asked leading questions of survey respondents and did not code or quantify the respondents' answers to the first five questions of the survey. (*Id.* at 8–10.) Hearthware further argues that Mr. Berger's survey is flawed because it does not account for non-Google AdWords campaigns, such as Bing, Yahoo, or Safari. (*Id.* at 10.)

Morningware, as the plaintiff, bears the burden of proving actual confusion by a preponderance of the evidence, and it relies solely on Mr. Berger's testimony to do so. Although, as explained above, Hearthware cannot offer Mr. Nelems as a witness at trial to rebut Mr. Berger's testimony, Hearthware may still cross-examine Mr. Berger at trial. In this case, Hearthware's many criticisms of Mr. Berger's survey create issues of fact for the jury. *See O'Leary v. Accretive Health, Inc.,* 657 F.3d 625, 630 (7th Cir.2011) ("It is not for courts at summary judgment to weigh evidence or determine the credibility of [a witness's] testimony; we leave those tasks to factfinders.") (quoting *Berry v. Chicago Transit Auth.,* 618 F.3d 688, 691 (7th Cir.2010)). While Mr. Berger's survey opinions provide a sufficient evidentiary basis for a jury to conclude that Hearthware's conduct caused actual consumer confusion, a jury could also find that Mr. Berger's survey methodology was flawed and thus created inaccurate results. [12] It is simply not the Court's province to weigh expert testimony at the summary judgment stage, particularly here, where the expert's testimony is critical to the actual confusion factor. *See O'Leary, 657 F.3d at 630; AHP Subsidiary Holding Co. v. Stuart Hale Co.,* 1 F.3d 611, 616 (7th Cir.1993) ("We have stated a number of times that the trial court's ultimate conclusion on the likelihood of confusion is a finding of fact. Accordingly, a motion for summary judgment in trademark infringement cases must be approached with great caution.") (internal citation omitted). As such, there is a genuine dispute of material fact as to whether Hearthware's conduct caused actual confusion.

***13** Considering all of the above factors, neither party is entitled to summary judgment on Morningware's false representation of origin claim. While Morningware has set forth evidence upon which a jury could find in its favor, it has not shown that the evidence is so "one-sided that there can be no doubt about how the question should be answered." *Autozone,* 543 F.3d 923. As such, the Court denies both parties' motions for summary judgment as to Count I of Morningware's Complaint.

II. The Court Denies Both Parties' Motions for Summary Judgment on Count II–Product Disparagement Under 15 U.S.C. § 1125(a) (1)(B)

Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a)(1)(B), provides that

> (1) Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which—
>
> ...
>
> (B) in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person's goods, services, or commercial activities,
>
> shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act.

15 U.S.C. § 1125(a)(1)(B). As the Court has previously explained in this case, to establish this claim, Morningware must prove "(1) a false statement of fact by [Hearthware] in a commercial advertisement about its own or another's product; (2) the statement actually deceived or has the tendency to deceive a substantial segment of its audience; (3) the deception is material, in that it is likely to influence the purchasing decision; (4) [Hearthware] caused its false statement to enter interstate commerce; and (5) [Morningware] has been or is likely to be injured as a result of the false statement, either by direct diversion of sales from itself to [Hearthware] or by a loss of goodwill associated with its products." *Morningware,* 673 F.Supp.2d at 638 (quoting *Hot Wax, Inc. v. Turtle Wax, Inc.,* 191 F.3d 813, 820 (7th Cir.1999)). "In addition, to recover money damages under the Act, [Morningware] must prove both actual damages and a causal link between [Hearthware's] violation and those damages." *Hot Wax,* 191 F.3d at 819–20.

Morningware argues that Hearthware's advertisement, which contained a link to Hearthware's website and stated "The Real NuWave® Oven Pro Why Buy an Imitation? 90–Day Gty," "misleads and/or confuses consumers into believing that Morningware's ovens are inferior to Hearthware's because they are imitations." (Morningware's Mot. at 12.) It is undisputed that Hearthware, in connection with its keyword advertising campaign, made the statement identified above. (Morningware's SOF ¶¶ 13, 48.) Issues of material fact exist, however, with respect to several of the elements of Morningware's claim, as explained in more detail below.

***14** A false statement establishing liability under the Lanham Act "generally falls into one of two categories: (1) commercial claims that are literally false as a factual matter; or (2) claims that may be literally true or ambiguous, but which implicitly convey a false impression, are misleading in context, or likely to deceive customers." *Hot Wax,* 191 F.3d at 820; *see also LG Elecs. U.S.A., Inc. v. Whirlpool Corp.,* 661 F.Supp.2d 940, 948 (N.D.Ill.2009). If the statement is literally false, "the plaintiff need not show that the statement either actually deceived customers or was likely to do so." *Hot Wax,* 191 F.3d at 820. When a statement is literally true or ambiguous, "the plaintiff must prove that the statement is misleading in context by demonstrated actual consumer confusion." *Id.* Regardless of whether the theory is one of literal or implied falsity, " 'whether a claim is either 'false' or 'misleading' is an issue of fact rather than law.' " *LG Elecs.,* 661 F.Supp.2d at 948 (quoting *Mead Johnson & Co. v. Abbott Labs.,* 209 F.3d 1032, 1034 (7th Cir.2000)). "It is not for the judge to determine, based solely upon his or her own intuitive reaction, whether the advertisement is deceptive." *Id.* (quoting *Johnson & Johnson * Merck Consumer Pharms. Co. v. Smithkline Beecham Corp.,* 960 F.2d 294, 297–98 (2d Cir.1992)).

Morningware does not argue, and has not set forth any evidence to prove, that Hearthware's statement is literally false. Instead, Morningware argues that Hearthware's statement "conveys a false impression and is misleading in context." (Morningware's Reply at 7.) To succeed on this implied falsity theory, Morningware must establish that a "statistically significant portion of the target audience received the implied message allegedly communicated by the challenged advertisement-without such proof, the plaintiff cannot establish injury arising from the advertiser's allegedly false message." *LG Elecs.,* 661 F.Supp.2d at 950; *see also B. Sanfield, Inc. v. Finlay Fine Jewelry Corp.,* 168 F.3d 967, 972 (7th Cir.1999) ("[W]here the statement is literally true or ambiguous, then the plaintiff is obliged to prove that the statement is 'misleading in context, as demonstrated by actual consumer confusion.' ") (quoting *BASF Corp. v. Old World Trading Co.,* 41 F.3d 1081, 1089 (7th Cir.1994)). "[B]efore a court can consider the truth or falsity of an advertisement's message, 'it must first determine what message was actually conveyed to the viewing audience .' " *LG Elecs.,* 661 F.Supp.2d at 950 (quoting *Johnson & Johnson,* 960 F.2d at 298). Because of the difficulty in obtaining this information from the consuming public, plaintiffs often present consumer surveys to prove this element. *Id.* ("Indeed, some courts have held that 'the success of a plaintiff's implied falsity claim usually turns on the persuasiveness of a consumer survey.' ") (quoting *Johnson & Johnson,* 960 F.2d at 298).

***15** Morningware relies on Mr. Berger's survey to establish that consumers received a misleading message from Hearthware's advertisement—namely, that Morningware's counter-top oven is an imitation of Hearthware's NuWave® Oven Pro. (*See* R. 279–1, Berger Report ¶ 15 ("many of the respondents were under the impression [that] the Nu Wave Oven Pro is an authentic product while the Morningware product was a 'fake' or 'imitation' ").) Although Morningware contends that Mr. Berger's conclusions are undisputed (Morningware's Mot. at 12), that is not the case. First, Morningware did not include any of Mr. Berger's opinions on this issue in its Local Rule 56.1 Statement of Facts, and thus they are not undisputed. *See Bobak Sausage Co. v. A & J Seven Bridges, Inc.,* 805 F.Supp.3d 503, 508 (N.D.Ill.2011) ("Adherence to Local Rule 56.1 gives the opposing party the opportunity to either admit or deny the statement of fact, and to provide record support for either assertion. By not following the rule, a party injects facts into the case that have not been subject to the opposing side's scrutiny, nor presented to the court for its review."). Second, Hearthware vehemently disputes Mr. Berger's survey methodology and conclusions in its brief. Specifically, Hearthware argues that (1) Mr. Berger's questions were suggestive and leading, (2) Mr. Berger failed to "code," or assign categories of meaning to, the respondents' answers, and (3) Mr. Berger's report does not show that Hearthware's statement deceived "a substantial segment of its audience" because Mr. Berger did not quantify the results of the relevant survey question. [13] (Morningware's Reply at 12–13.) These disputes raise issues of fact for the jury. See *LG Elecs.,* 661 F.Supp.2d at 948 (whether an advertisement conveys a misleading message is an issue of fact). Because genuine disputes of material fact exist as to whether Hearthware's advertisement conveys a misleading message to a "statistically significant portion of the target audience," *see id.* at 950, summary judgment is not appropriate.

Additionally, a genuine dispute of material fact exists as to whether the allegedly false statement is material to consumers' decisions to purchase the goods. "A claim is considered material if it 'involves information that is important to consumers and, hence, likely to affect their choice of, or conduct regarding a product.' " *LG Elecs. v. Whirlpool Corp.,* No. 08 C 242, 2010 WL 2921633, at *2 (N.D.Ill. July 22, 2010) (quoting *Kraft, Inc. v. FTC,* 970 F.2d 311, 322 (7th Cir.1992)).[14] Relatedly, a dispute of material fact exists as to whether Morningware has or is likely to suffer injury as a result of Hearthware's advertisement. *See LG Elecs.,* 661 F.Supp.2d at 950 (without proof that a "statistically significant portion of the target audience received the implied message allegedly communicated by the challenged advertisement," a plaintiff "cannot establish injury arising from the advertiser's allegedly false message"). Because disputes of material fact exist as to Morningware's false advertising claim, the Court denies both parties' motions for summary judgment.

III. Morningware's State Law Claims

***16** Both parties agree that Morningware's state law claims (violation of the Illinois UDTPA, common law unfair competition, and common law commercial disparagement) rise and fall with its Lanham Act claims. (Morningware's Mot. at 13; Hearthware's Resp. at 14–15); *see also Morningware,* 673 F.Supp.2d at 639.[15] Because the Court denies both parties' motions for summary judgment on Morningware's Lanham Act claims, the Court also denies their motions for summary judgment on Morningware's state law claims.

CONCLUSION

For the reasons explained above, the Court denies Morningware's motion for summary judgment on Counts I–V of its First Amended Complaint and Hearthware's cross motion for summary judgment on those same counts. The Court grants Morningware's motion to strike Mr. Nelems' affidavit, and denies, without prejudice, Morningware's motion to exclude Dr. Vanderhart's rebuttal report and documents that Hearthware produced after the close of discovery.

All Citations

Not Reported in F.Supp.2d, 2012 WL 3721350

Footnotes

1 Also pending before the Court are four additional motions for summary judgment relating to Hearthware's patent claims: 1) Morningware's motion for summary judgment that the '217 Patent is unenforceable due to inequitable conduct (R. 287); 2) Morningware's motion for summary judgment of invalidity of claim 3 of the '217 Patent (R. 291); 3) Morningware's motion for summary judgment of non-infringement of claim 3 of the '217 Patent (R. 299); and 4) Morningware's motion for summary judgment on Hearthware's third and fifth through eighth claims for relief in its First Amended Counterclaims (R. 301). The Court will address these motions in separate orders.

2 Further, because the Court strikes Mr. James H. Nelems' affidavit, as explained below, the Court does not consider any statement of fact, or response thereto, in which Hearthware relies on Mr. Nelems' affidavit to dispute a statement of fact.

3 The Court cannot discern from the parties' briefing when Hearthware produced the documentation upon which Dr. Vanderhart relies. If Morningware re-files its motion to exclude at a later time, the parties should advise the Court of the specific dates on which Hearthware produced that information and whether Morningware had the opportunity to depose Dr. Vanderhart regarding those documents.

4 Morningware also has asserted additional counterclaims against Hearthware, including declaration of non-infringement of United States Patent No. 6,201,217 ("the '217 Patent") (Count VI); declaration of invalidity of the '217 Patent (Count VII); declaration of unenforceability of the '217 Patent (Count VIII); tortious interference with prospective economic advantage (Count IX); and exceptional case (Count X). (*See* R. 243, Morningware, Inc.'s First Amended Answer to Hearthware's First Amended Counterclaims and Morningware's Second Amended Counterclaims.)

5 As the *Promatek* court explained, "[m]etatags are HTML [HyperText Markup Languge] code intended to describe the contents of a web site.... The more often a term appears in the metatags and in the text of the web page, the more likely it is that the web page will be 'hit' in a search for that keyword and the higher on the list of 'hits' the webpage will appear." 300 F.3d at 811 (quoting *Brookfield Comm'cns, Inc. v. West Coast Entm't Corp.,* 174 F.3d 1036, 1045 (9th Cir.1999)).

6 Hearthware suggests that it did not have any intent to confuse customers, arguing that it "makes little corporate sense" for it to "use the ad words of a single-employee company a fraction of its own size with a fraction of its own market." (R. 295, Hearthware's Memorandum in Opposition to Morningware's Mot. for Summ. J. ("Hearthware's Resp.") at 10–11.) This, however, is of little significance here, where Hearthware has admitted to purchasing key words encompassing Morningware's protected marks.

7 Neither party submitted evidence regarding the price point of their respective countertop ovens.

8 In *Promatek,* the Seventh Circuit followed the Ninth Circuit's reasoning in *Brookfield Communications* regarding the degree of care factor in initial interest confusion cases involving the internet. *See Promatek,* 300 F.3d at 812–13.

9 Significantly, the Seventh Circuit in *Promatek* cited *Brookfield Communications* in its discussion of the degree of care factor in initial interest confusion cases. 300 F.3d at 812–13.

10 "Trademarks are classified in one of four categories-fanciful, arbitrary, descriptive, and generic. The amount of protection inherently available tends to increase from generic to fanciful. Generic words are entitled to no protection, whereas fanciful terms are usually entitled to strong protection." *Id.*

11 Hearthware argues that because Morningware's revenues are much lower than Hearthware's, Morningware's marks are not strong. In support, Hearthware relies on Dr. Vanderhart's conclusions, which it did not include in its statement of additional facts. As such, the Court cannot discern whether Morningware disputes this "evidence." The Court, accordingly, does not place any merit on Hearthware's argument.

12 Although the absence of actual confusion does not preclude a finding of a likelihood of confusion, it is nevertheless a highly relevant favor. *See Facebook, Inc. v. Teachbook.com LLC,* 819 F.Supp.2d 764, 781 (N.D.Ill.2011) ("[E]ven though actual confusion is one of the three factors upon which courts place particular emphasis, the absence of actual confusion is not fatal to an infringement claim.") (citing *Sands, Taylor & Wood Co. v. Quaker Oats Co.,* 978 F.2d 947, 960 (7th Cir.1992) and *CAE, Inc.,* 267 F.3d at 686).

13 Hearthware has not moved to exclude Mr. Berger's expert testimony on this issue pursuant to Federal Rule of Evidence 702 or *Daubert v. Merrell Dow Pharmaceuticals, Inc.,* 509 U.S. 579, 113 S.Ct. 2786, 125 L.Ed.2d 469 (1993).

14 Although Morningware does not offer expert testimony on this issue, that does not require the Court to grant Hearthware's motion for summary judgment. *See LG Elecs. U.S.A., Inc. v. Whirlpool Corp. .,* No. 08 C 242, 2010 WL 3397358, at *13, n. 2 (N.D.Ill. Aug.24, 2010) ("Courts do not require that a party proffer expert testimony to establish that the subject of the false or misleading advertising was material to the consumer's decision to purchase the goods.") (citing cases).

15 Although the Court's memorandum opinion and order regarding Hearthware's Rule 12(b)(6) motion to dismiss explained that Morningware's claims for unfair competition and United States District Court Judge violation of the Illinois UDPTA track its Lanham Act claims, the Court addressed Morningware's claim for commercial disparagement separately. *See Morningware,* 673 F.Supp.2d at 639–40. Neither party, however, presents an argument regarding Morningware's claim for common law commercial disparagement that is independent of the Lanham Act arguments.

End of Document

EXHIBIT 12

2010 WL 3781552
Only the Westlaw citation is currently available.

This decision was reviewed by West editorial staff and not assigned editorial enhancements.

United States District Court, N.D. Florida, Pensacola Division.

PENSACOLA MOTOR SALES, a Florida corporation, d/b/a Bob Tyler Toyota, Plaintiff,
v.
EASTERN SHORE TOYOTA, LLC, an Alabama Limited Liability Company; Daphne Automotive, LLC, an Alabama Limited Liability Company; Shawn Esfahani, Individually; and Daphne Enterprises, Inc., an Alabama Corporation, Defendants.

No. 3:09cv571/RS–MD.
|
Sept. 23, 2010.

Attorneys and Law Firms

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James Nixon Daniel, Beggs & Lane RLLP, Pensacola, FL, for Defendants.

ORDER

RICHARD SMOAK, District Judge.

***1** Before me are Defendants' motion for summary judgment (Doc. 80) and Plaintiff's motion for summary judgment (Doc. 87).

I. STANDARD OF REVIEW

The basic issue before the court on a motion for summary judgment is "whether the evidence presents a sufficient disagreement to require submission to a jury or whether it is so one-sided that one party must prevail as a matter of law." *Anderson v. Liberty Lobby, Inc.,* 477 U.S. 242, 251, 106 S.Ct. 2505, 2512, 91 L.Ed.2d 202 (1986). The moving party has the burden of showing the absence of a genuine issue as to any material fact, and in deciding whether the movant has met this burden, the court must view the movant's evidence and all factual inferences arising from it in the light most favorable to the nonmoving party. *Adickes v. S.H. Kress & Co.,* 398 U.S. 144, 90 S.Ct. 1598, 26 L.Ed.2d 142 (1970); *Fitzpatrick v. City of Atlanta,* 2 F.3d 1112, 1115 (11th Cir.1993). Thus, if reasonable minds could differ on the inferences arising from undisputed facts, then a court should deny summary judgment. *Miranda v. B & B Cash Grocery Store, Inc.,* 975 F.2d 1518, 1534 (11th Cir.1992) (citing *Mercantile Bank & Trust v. Fidelity & Deposit Co.,* 750 F.2d 838, 841 (11th Cir.1985)). However, a mere scintilla' of evidence supporting the nonmoving party's position will not suffice; there must be enough of a showing that the jury could reasonably find for that party. *Walker v. Darby,* 911 F.2d 1573, 1577 (11th Cir.1990) (citing *Anderson,* 477 U.S. at 251).

II. BACKGROUND

The following are the undisputed material facts of the case. Plaintiff Pensacola Motor Sales, Inc., does business as Bob Tyler Toyota. Defendant Shawn Esfahani is an individual Defendant, as well as President and majority stockholder of the defendant corporations Eastern Shore Toyota, LLC, and Daphne Enterprises, Inc. Defendants registered the following domain names without Plaintiff's authorization:

www.bobtylersuzukiquotes.com

www.bobtylerprices.com

www.boytylertoyotaprices.com

www.bobtylerquotes.com

www.bobtylertoyotapreowned.com

www.bobtylertoyotainventory.com

www.bobtylerusedsuzuki.com

www.bobtylerusedcarquotes.com,

www.bobtylerusedcars.com

www.tyletoyota.com

www.tylrtoyota.com

These domain names were set up to re-direct internet traffic to Defendants' website, www.easternshoretoyota.com. They included the “Bob Tyler” trademark and a copyright notice. The website www.bobtylertoyotaquotes.com featured a “vehicle quote application” where internet users could input personal information and obtain a quote on purchasing Defendants' vehicles. Plaintiff sent a cease and desist letter regarding the domains names, and as of February 3, 2010, all of the domain names were surrendered.
Defendants also purchased “ad words” that contained “Bob Tyler” from internet search engines such as Google. When an ad word is purchased, the search engine will cause the purchaser's ad to show up in the right-hand column of the website in a list of advertisements, next to the list of websites that result from the search that are displayed in the center of the page. In addition to domain names and ad words containing “Bob Tyler,” Defendants also purchased domain names and ad words containing the names of their other competitors.

***2** Plaintiff's complaint alleges six counts against Defendants:

1. false advertising under the Lanham Act,

2. unfair competition under the Lanham Act,

3. violation of the Anti–Cybersquatting Consumer Protection Act,

4. unfair competition under Florida law,

5. violation of Fla. Stat. § 495.15, and

6. violation of Fla. Stat. § 668.704.

Defendants have moved for summary judgment on all counts of the amended complaint. Plaintiff has moved for summary judgment on all counts except count V.

III. ANALYSIS

A. Count I: False Advertising

Count I of the complaint alleges Defendants participated in false advertising under the Lanham Act, as codified in 15 U.S.C. § 1125(a). To establish a false advertising claim under § 1125(a), a Plaintiff must demonstrate:

> “(1) the ads of the opposing party were false or misleading, (2) the ads deceived, or had the capacity to deceive, consumers, (3) the deception had a material effect on purchasing decisions, (4) the misrepresented product or service affects interstate commerce, and (5) the movant has been-or is likely to be-injured as a result of the false advertising.” *North American Medical Corp. v. Axiom Worldwide, Inc.,* 522 F.3d 1211, 1224 (11th Cir.2008).

Defendants argue that they are entitled to summary judgment on countI because Plaintiff failed to prove actual confusion and produce evidence that it has suffered damage as a result of the unauthorized use of its mark. However, it is clear that actual confusion and damages are not required under § 1125(a). Capacity to deceive and likelihood of injury are sufficient. *North American* Medical Corp. at 1224. Therefore, summary judgment is not appropriate for Defendants on count I.

Plaintiff argues that it is entitled to summary judgment on count I because all of the requirements of a false advertising claim are satisfied under its version of the facts. However, Defendants dispute Plaintiff's factual assertions and argue that the requirements of § 1125(a) have not been met. Therefore, genuine issues of material fact remain and summary judgment is not appropriate for Plaintiffs on count I.

B. Count II: Unfair Competition

Count II of the complaint alleges unfair competition also under the Lanham Act. Defendants first argue that they are entitled to summary judgment on count II for the same reasons as they argued in count I: that Plaintiff has not established actual confusion or proven damage as a result of the unauthorized use of its mark.

A showing of actual confusion is not essential to recovery in a claim for unfair competition. *Bauer Lamp Co., Inc. v. Shaffer,* 941 F.2d 1165, 1171 (11th Cir.1991). All that is required is proof of the likelihood of confusion. *Id.* at 1172. To determine if there is a likelihood of confusion in a trademark infringement action, the Eleventh Circuit considers seven factors: “(1) type of mark, (2) similarity of mark, (3) similarity of the products the marks represent, (4) similarity of the parties' retail outlets and customers, (5) similarity of advertising media used, (6) defendant's intent and (7) actual confusion." *Dieter v. B & H Industries of Southwest Florida, Inc.,* 880 F.2d 322, 326 (11th Cir.1989). Plaintiff has presented evidence of six of the seven factors, therefore summary judgment is not appropriate for Defendants on the likelihood of confusion issue. In addition, the plain language of the statute does not require that actual damage occur before relief is grantedonly that the person bringing the action believes that he is "likely to be damaged." 15 U.S.C. § 1125(a)(1). Therefore, Defendants' arguments again fail as they did on count I.

***3** Defendants also argue they are entitled to summary judgment on count II because Plaintiff has not yet been granted the rights to a trademark, it has only applied to be registered. However, under the Lanham Act registration is not necessary. *Bauer Lamp Co., Inc. v. Shaffer,* 941 F.2d 1164, 1171 (11th Cir.1991). Trademark protection, unlike copyright protection, accrues with use, not registration. *Id.*

Finally, Defendants argue they are entitled to summary judgment because the internet "key words" or "ad words" they purchased do not constitute a misrepresentation or cause confusion under the Lanham Act. However, Defendants cite no case law in support of their argument and merely make a factual argument that these ad words do not meet the requirements of the Lanham Act. Plaintiff has presented facts that could lead a jury to conclude that Defendants' purchase of ad words does indeed meet the requirements of the Lanham Act. Thus, there clearly remains a genuine issue of material fact, and summary judgment is not appropriate for Defendants on count II.

Plaintiff has argued that it is entitled to summary judgment on count II because it has satisfied all of the requirements of an unfair competition claim under the Lanham Act. However, Defendants have disputed Plaintiff's factual contentions and therefore summary judgment is not appropriate for Plaintiff on count II because there remain contested issues of material fact.

C. Count III: Anti–Cybersquatting Consumer Protection Act

Count III of the complaint alleges a violation of 15 U.S.C. § 1125(d), which prohibits a person with a "bad faith intent to profit" from using a protected mark (or one confusingly similar) of another. Defendants argue that they are entitled to summary judgment on count III because Defendants did not act with bad faith. However, Plaintiff has presented evidence that could lead a jury to conclude that Defendants did indeed act in bad faith. Whether Defendants acted in bad faith is a hotly contested issue of fact which must be resolved by a jury, and therefore summary judgment is not appropriate on Count III.

D. Count IV: Florida Unfair Competition

Count IV alleges unfair competition by Defendants under Florida law. Defendants argue that they are entitled to summary judgment on count IV because Plaintiff was not damaged and Defendants did not act maliciously and willfully. Plaintiffs clearly dispute this contention, and thus there remain issues of material fact on count IV for the jury to determine. Furthermore, the legal standards for federal unfair competition claims and for common law unfair competition claims are essentially the same. *See Monsanto Co. v. Campuzano,* 206 F.Supp.2d 1252, 1267 (S.D.Fla.2002) (citing *Tally–Ho, Inc. v. Coast Community College Dist.,* 889 F.2d 1018, 1025–26 and n. 14 (11th Cir.1989)). Thus, for the same reasons summary judgment is inappropriate on the federal unfair competition claim (Part B, *supra*) summary judgment is also denied on count IV.

E. Count V: Violation of Fla. Stat. § 495.151

***4** In count V, Plaintiff alleges that Defendants have diluted the mark "Bob Tyler" in violation of Fla. Stat. § 495.151. Defendants argue that they are entitled to summary judgment because Plaintiff has not proven irreparable harm, and because Defendants have ceased using the websites at issue.

Similar to unfair competition claims, the legal standards under the federal and Florida antidilution statutes are the same. *Rain Bird Corp. v. Taylor,* 665 F.Supp.2d 1258, 1267 (N.D.Fla.2009) (citing *Great Southern Bank v. First Southern Bank,* 625 So.2d 463, 471 (Fla.1993)). To prevail on a federal dilution claim, and thus also on a Florida dilution claim, the plaintiff must demonstrate that: "(1) the plaintiff's mark is famous; (2) the defendant used the plaintiff's mark after the plaintiff's mark became famous; (3) the defendant's use was commercial and in commerce; and (4) the defendant's use of the plaintiff's mark has likely caused dilution." *Rain Bird Corp.* at 1266–67 (citing *Jada Toys, Inc. v. Mattell, Inc.,* 518 F.3d 628, 633 (9th Cir.2008) (citing 15 U.S.C. § 1125(c)(1)).

Under the plain language of § 495.151, neither irreparable harm nor continuing use is required to successfully bring an action under the statute. Defendants have provided no legal support for their argument to the contrary. Summary judgment on count V is denied.

F. Count VI: Violation of Fla. Stat. § 668.704

In count VI, Plaintiff brings a claim under Fla. Stat. § 668.704, alleging that Defendants violated Fla. Stat. § 668.703(1). Section 668.703(1) provides in pertinent part:

> A person with an intent to engage in conduct involving the fraudulent use or possession of another person's identifying information may not represent oneself, directly or by implication, to be another person without the authority or approval of such other person through the use of a web page or Internet domain name and use that web page, Internet domain name, or a link to that web page or domain name or another site on the Internet to induce, request, or solicit a resident of [Florida] to provide identifying information.

Defendants argue that they are entitled to summary judgment on count VI because the evidence is insufficient. However, Plaintiff has presented evidence that Defendants solicited personal information on one of its domain names through a tab seeking credit applications. This is sufficient to create an issue of material fact that must be determined by the jury, and therefore summary judgment is not appropriate on count VI for either party.

G. Punitive Damages

Defendants also request summary judgment on Plaintiff's claim for punitive damages. Defendant first argues it is entitled to summary judgment on punitive damages because Plaintiff has failed to prove actual damages, citing a Southern District of Florida case where punitive damages were vacated after the jury's award of compensatory damages was vacated. *See Alphamed Pharmaceuticals Corp. v. Arriva Pharmaceuticals, Inc.,* 432 F.Supp.2d 1319, 1355 (S.D.Fla.2006). In the instant case a jury has yet to determine if Plaintiff is entitled to any damages, therefore a ruling on the validity of punitive damages is premature.

***5** Defendants also argue they are entitled to summary judgment on the issue of punitive damages because Plaintiff has not sufficiently proven intentional misconduct or gross negligence. Plaintiff has alleged facts that could lead a reasonable jury to conclude that intentional misconduct or gross negligence occurred. Therefore, it is clear that this is a disputed issue of fact that must be resolved by the jury, and summary judgment is not appropriate.

IV. CONCLUSION

Defendants' motion for summary judgment (Doc. 80) and Plaintiff's motion for summary judgment (Doc. 87) are **denied.**

ORDERED.

All Citations

Not Reported in F.Supp.2d, 2010 WL 3781552

EXHIBIT 13

KeyCite Yellow Flag - Negative Treatment
Distinguished by 1-800 Contacts, Inc. v. Lens.com, Inc., 10th Cir.(Utah), July 16, 2013

676 F.3d 144
United States Court of Appeals,
Fourth Circuit.

ROSETTA STONE LTD., Plaintiff–Appellant,
v.
GOOGLE, INCORPORATED, Defendant–Appellee.
The UK Intellectual Property Law Society, Amicus Curiae,
Eric Goldman; Public Citizen; Martin Schwimmer, Limited Intervenors.
International Trademark Association; Blues Destiny Records, LLC; Carfax, Incorporated; Ford Motor Company; Harmon International Industries, Incorporated; The Media Institute; Viacom, Inc.; Burlington Coat Factory Warehouse Corporation; Business Software Alliance; Chanel, Incorporated; Coach, Incorporated; Government Employees Insurance Company; Harrah's Entertainment, Incorporated; Longchamp USA, Incorporated; National Football League; Oakley, Incorporated; Professional Golfers' Association of America, Incorporated; Rolls–Royce North America, Incorporated; S.A.S. Jean Cassegrain; Sunkist Growers, Incorporated; Swarovski North America, Ltd.; The Association for Competitive Technology; The Sunrider Corporation; Tivo, Incorporated; Tiffany & Company; Tumi, Incorporated; United Continental Holdings, Incorporated; 1–800 Contacts, Incorporated; ConvaTec, Incorporated; Guru Denim, Incorporated; Monster Cable Products, Incorporated; PetMed Express, Inc.; Volunteers of America, Amici Supporting Appellant,
Public Citizen; Public Knowledge; Electronic Frontier Foundation; eBay Incorporated; Yahoo! Incorporated, Amici Supporting Appellee.

No. 10–2007.
|
Argued: Sept. 22, 2011.
|
Decided: April 9, 2012.

Synopsis

Background: Provider of technology-based language learning products and services brought action alleging that internet search engine operator actively assisted third party advertisers to mislead consumers and misappropriated its trademarks by using trademarks as keyword triggers for paid advertisements and within title and text of paid advertisements on operator's website. The United States District Court for the Eastern District of Virginia, Gerald Bruce Lee, J., dismissed unjust enrichment claim, 732 F.Supp.2d 628, and entered summary judgment in operator's favor, 730 F.Supp.2d 531. Provider appealed.

Holdings: The Court of Appeals, Traxler, Chief Judge, held that:

[1] summary judgment on provider's trademark infringement claim was not warranted;

[2] operator's use of marks was not protected by functionality doctrine;

[3] summary judgment on provider's contributory infringement claim was not warranted;

[4] operator was not liable for vicarious trademark infringement;

[5] operator was not unjustly enriched by its auctioning of trademarks; and

[6] summary judgment on provider's trademark dilution claim was not warranted.

Affirmed in part, vacated in part, and remanded.

West Headnotes (32)

[1] **Trademarks**
Infringement

To establish trademark infringement under Lanham Act, plaintiff must prove that: (1) it owns valid mark; (2) defendant used mark in commerce and without plaintiff's authorization; (3) defendant used mark or imitation of it in connection with sale, offering for sale, distribution, or advertising of goods or services; and (4) defendant's use of mark is likely to confuse consumers. Lanham Act, § 32(a), 15 U.S.C.A. § 1114(a).

40 Cases that cite this headnote

[2] **Federal Courts**
Matters of substantive law
Trademarks
Findings

District court's failure to consider all nine traditional likelihood-of-confusion factors is not reversible error in ruling on trademark infringement claim, especially when offending use of plaintiff's trademark is referential or nominative in nature; however, district court opting not to address given factor or group of factors should provide at least brief explanation of its reasons. Lanham Act, § 32(a), 15 U.S.C.A. § 1114(a).

4 Cases that cite this headnote

[3] **Trademarks**
Strength or fame of marks;degree of distinctiveness

When defendant creates association between its goods or services and plaintiff's mark, strength of mark is relevant consideration in ruling on trademark infringement claim, since encroachment upon strong mark is more likely to cause confusion. Lanham Act, § 32(a), 15 U.S.C.A. § 1114(a).

18 Cases that cite this headnote

[4] **Federal Civil Procedure**
Copyright, trademark, and unfair competition cases

Genuine issues of material fact as to whether internet search engine operator's auctioning of marks owned by provider of technology-based language learning products and services as keyword triggers for links sponsored by third party advertisers was intended to produce confusion in minds of consumers about origin of goods or services in question, and whether it in fact did so, precluded summary judgment on provider's trademark infringement claim against operator. Lanham Act, § 32(a), 15 U.S.C.A. § 1114(a).

2 Cases that cite this headnote

[5] **Federal Civil Procedure**
Copyright, trademark, and unfair competition cases
Federal Civil Procedure
Admissibility

Anecdotal customer testimony, internet search engine operator's in-house studies, and expert's report were admissible as evidence of actual confusion for summary judgment purposes in trademark infringement action brought by provider of technology-based language learning products and services against operator that auctioned its marks to third party advertisers, even though customers were aware that they were not purchasing directly from provider, and there were only five instances of actual confusion out of more than 100,000 impressions over six years, where provider claimed that customers were confused as to goods' sponsorship, district court permitted only five "actual confusion" depositions, and there was evidence of more than 260 other instances of actual confusion. Lanham Act, § 32(a), 15 U.S.C.A. § 1114(a).

3 Cases that cite this headnote

[6] **Trademarks**
Knowledge, intent, and motive;bad faith
Trademarks
Trade dress

Presumption of likelihood of consumer confusion arises from intentional copying of plaintiff's trade dress or trademark by defendant.

3 Cases that cite this headnote

[7] **Trademarks**
Functionality

Internet search engine operator's use of marks owned by provider of technology-based language learning products and services as keyword triggers for links sponsored by third party advertisers was not protected by functionality doctrine from imposition of liability for trademark infringement under Lanham Act, even if marks made operator's product more useful; provider's use of its own mark was not essential for functioning of its language-learning products, which would operate no differently if they were branded with another name. Lanham Act, §§ 2(e)(5), 32(a), 33(b)(8), 15 U.S.C.A. §§ 1052(e)(5), 1114(a), 1115(b)(8).

1 Cases that cite this headnote

[8] **Trademarks**
Functionality

Product feature is "functional," and thus is not protected by Lanham Act, if it is reason device works, or it constitutes actual benefit that customer wishes to purchase, as distinguished from assurance that particular entity made, sponsored, or endorsed product. Lanham Act, § 2(e)(5), 15 U.S.C.A. § 1052(e)(5).

2 Cases that cite this headnote

[9] **Trademarks**
Contributory liability

"Contributory infringement" is judicially created doctrine that derives from common law of torts, under which liability may be imposed upon those who facilitate or encourage trademark infringement. Lanham Act, § 32(a), 15 U.S.C.A. § 1114(a).

2 Cases that cite this headnote

[10] **Trademarks**
Contributory liability

To establish contributory trademark infringement claim, it is not enough to have general knowledge that some percentage of purchasers of product or service is using it to engage in infringing activities; rather, defendant must supply its product or service to identified individuals that it knows or has reason to know are engaging in trademark infringement. Lanham Act, § 32(a), 15 U.S.C.A. § 1114(a).

6 Cases that cite this headnote

[11] **Trademarks**
Contributory liability

For there to be liability for contributory trademark infringement, plaintiff must establish underlying direct infringement. Lanham Act, § 32(a), 15 U.S.C.A. § 1114(a).

18 Cases that cite this headnote

[12] **Federal Civil Procedure**
Copyright, trademark, and unfair competition cases

Genuine issue of material fact as to whether internet search engine operator continued to supply its keyword advertising services to known trademark infringers precluded summary judgment on contributory infringement claim brought against operator by provider of technology-based language learning products and services. Lanham Act, § 32(a), 15 U.S.C.A. § 1114(a).

2 Cases that cite this headnote

[13] **Trademarks**
Persons Liable

Liability for vicarious trademark infringement requires finding that defendant and infringer have apparent or actual partnership, have authority to bind one another in transactions with third parties or exercise joint ownership or control over infringing product. Lanham Act, § 32(a), 15 U.S.C.A. § 1114(a).

8 Cases that cite this headnote

[14] **Trademarks**
Persons Liable

Internet search engine operator that auctioned keyword triggers for links sponsored to third party advertisers was not liable for vicarious trademark infringement under Lanham Act based on advertisers' sales of counterfeit products, where there was no evidence that operator acted jointly with any advertiser to control counterfeit products. Lanham Act, § 32(a), 15 U.S.C.A. § 1114(a).

6 Cases that cite this headnote

[15] **Implied and Constructive Contracts**
Unjust enrichment

Under Virginia law, cause of action for unjust enrichment rests upon doctrine that a man shall not be allowed to enrich himself unjustly at expense of another.

1 Cases that cite this headnote

[16] **Implied and Constructive Contracts**
Unjust enrichment

Under Virginia law, to avoid unjust enrichment, equity will effect contract implied in law requiring one who accepts and receives services of another to make reasonable compensation for those services.

5 Cases that cite this headnote

[17] **Implied and Constructive Contracts**
Unjust enrichment

Under Virginia law, plaintiff asserting unjust enrichment must demonstrate that: (1) he conferred benefit on defendant; (2) defendant knew of benefit and should reasonably have expected to repay plaintiff; and (3) defendant accepted or retained benefit without paying for its value.

5 Cases that cite this headnote

[18] **Contracts**
Implied agreements

Under Virginia law, "implied-in-fact contract" is actual contract that was not reduced to writing, but court infers existence of contract from parties' conduct.

3 Cases that cite this headnote

[19] **Contracts**
Implied agreements

Under Virginia law, to recover under contract implied-in-fact, plaintiff must allege facts to raise implication that defendant promised to pay plaintiff for such benefit.

3 Cases that cite this headnote

[20] **Implied and Constructive Contracts**
Effect of Express Contract

Under Virginia law, concept of implied-in-law contract, or quasi contract, applies only when there is no actual contract or meeting of minds.

5 Cases that cite this headnote

[21] **Implied and Constructive Contracts**
Unjust enrichment

Under Virginia law, internet search engine operator was not unjustly enriched by its auctioning of trademarks belonging to provider of technology-based language learning products and services as keyword triggers for links sponsored by third party advertisers, where there was no evidence that operator should reasonably have expected to pay for use of marks in its keyword query process.

1 Cases that cite this headnote

[22] **Trademarks**
Nature and extent of harm;similarity, competition, and confusion

"Trademark dilution" is whittling away of established trademark's selling power and value through its unauthorized use by others. Lanham Act, § 43(c)(1), 15 U.S.C.A. § 1125(c)(1).

Cases that cite this headnote

[23] **Trademarks**
Of one's own product;fair use

Fair use essentially amounts to affirmative defense against claim of trademark dilution. Lanham Act, § 43(c)(3)(A), 15 U.S.C.A. § 1125(c)(3)(A).

2 Cases that cite this headnote

[24] **Trademarks**
Nature and Elements in General

To state prima facie dilution claim under Federal Trademark Dilution Act (FTDA), plaintiff must show that: (1) plaintiff owns famous mark that is distinctive; (2) defendant has commenced using mark in commerce that allegedly is diluting famous mark; (3) similarity between defendant's mark and famous mark gives rise to association between marks; and (4) association is likely to impair famous mark's distinctiveness or likely to harm famous mark's reputation. Lanham Act, § 43(c)(1), 15 U.S.C.A. § 1125(c)(1).

30 Cases that cite this headnote

[25] **Trademarks**
Defenses, excuses, and justifications

Once famous mark's owner establishes prima facie case of trademark dilution by blurring or tarnishment, it falls to defendant to demonstrate that its use constituted fair use other than as designation of source for defendant's own goods or services. Lanham Act, § 43(c)(3)(A), 15 U.S.C.A. § 1125(c)(3)(A).

5 Cases that cite this headnote

[26] **Trademarks**
Of one's own product;fair use

Defendant in trademark dilution action must show that its use of mark was in good faith in order to establish fair use defense under Federal Trademark Dilution Act (FTDA). Lanham Act, § 43(c)(3)(A), 15 U.S.C.A. § 1125(c)(3)(A).

4 Cases that cite this headnote

[27] **Federal Civil Procedure**
Copyright, trademark, and unfair competition cases

Genuine issues of material fact as to whether internet search engine operator's use of marks owned by provider of technology-based language learning products and services as keyword triggers for links sponsored by third party advertisers diluted provider's marks, and whether provider's marks were famous when operator first permitted their use as keyword triggers precluded summary judgment on provider's trademark dilution claim against operator. Lanham Act, § 43(c)(1), 15 U.S.C.A. § 1125(c)(1).

Cases that cite this headnote

[28] **Trademarks**
Marks protected;strength or fame

Defendant's first diluting use of famous mark fixes time by which famousness is to be measured for purposes of Federal Trademark Dilution Act (FTDA). Lanham Act, § 43(c)(1), 15 U.S.C.A. § 1125(c)(1).

6 Cases that cite this headnote

[29] **Trademarks**
Alphabetical listing

ROSETTA STONE.

Cases that cite this headnote

[30] **Trademarks**
Alphabetical listing

ROSETTA STONE LANGUAGE LEARNING SUCCESS.

Cases that cite this headnote

[31] Trademarks
Alphabetical listing
ROSETTA WORLD.

Cases that cite this headnote

[32] Trademarks
Alphabetical listing
ROSETTASTONE.COM.

Cases that cite this headnote

Attorneys and Law Firms

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Before TRAXLER, Chief Judge, KEENAN, Circuit Judge, and HAMILTON, Senior Circuit Judge.

Affirmed in part, vacated in part, and remanded by published opinion. Chief Judge TRAXLER wrote the opinion, in which Judge KEENAN and Senior Judge HAMILTON joined.

OPINION

TRAXLER, Chief Judge:

Appellant Rosetta Stone Ltd. appeals from an order, *see Rosetta Stone Ltd. v. Google Inc.,* 730 F.Supp.2d 531 (E.D.Va.2010), granting summary judgment against Rosetta Stone on its claims against Appellee Google Inc. for trademark infringement, *see* 15 U.S.C. § 1114(1)(a); contributory and vicarious trademark infringement; and trademark dilution, *see* 15 U.S.C. § 1125(c)(1). Rosetta Stone also appeals from an order dismissing its unjust enrichment claim under Virginia Law. *See Rosetta Stone Ltd. v. Google Inc.,* 732 F.Supp.2d 628 (E.D.Va.2010). For the reasons that follow, we affirm the district court's order with respect to the vicarious infringement and unjust enrichment claims; however, we vacate the district ***150** court's order with respect to the direct infringement, contributory infringement and dilution claims and remand these claims for further proceedings.

I. Background

In conducting a *de novo* review of the district court's order granting summary judgment in favor of Google, "we view the facts and draw all reasonable inferences therefrom in the light most favorable to [Rosetta Stone], as the nonmoving party." *Georgia Pac. Consumer Prods., LP v. Von Drehle Corp.,* 618 F.3d 441, 445 (4th Cir.2010). Bearing this standard in mind, we review the underlying facts briefly.

Rosetta Stone began in 1992 as a small, family-owned business that marketed its language-learning software under the brand name "Rosetta Stone."[1] By 2006, Rosetta Stone had become an industry leader in technology-based language-learning products and online services, and, by January 2010, it had become a publicly traded corporation with 1,738 employees and gross revenues of approximately $252 million. Its products consist of "software, online services and audio practice tools" available in over thirty languages. J.A. 203.

Rosetta Stone owns and uses several registered marks in connection with its products and services: ROSETTA STONE, ROSETTA STONE LANGUAGE LEARNING SUCCESS, ROSETTASTONE.COM, and ROSETTA WORLD. Using this family of registered marks, Rosetta Stone markets its brand through various types of media, including the Internet, television, radio, magazines and other print media, and kiosks in public venues. From 2003 through 2009, Rosetta Stone spent approximately $57 million for television and radio advertising, $40 million for print media marketing, and $12.5 million to advertise on the Internet. In 2009, Rosetta Stone's marks enjoyed the highest level of brand recognition by far in the domestic language-learning market.[2] Rosetta Stone has achieved international success as well, with its products in use in over 150 countries.

Rosetta Stone began advertising in connection with Google's website and online services in 2002 and has continued to do so since that time. Google operates one of the world's most popular Internet search engines—programs that enable individuals to find websites and online content, generally through the use of a "keyword" search. *See Retail Servs., Inc. v. Freebies Publ'g,* 364 F.3d 535, 541 n. 1 (4th Cir.2004). When an Internet user enters a word or phrase—the keyword or keywords—into Google's search engine, Google returns a results list of links to ***151** websites that the search engine has determined to be relevant based on a proprietary algorithm.

In addition to the natural list of results produced by the keyword search, Google's search engine also displays paid advertisements known as "Sponsored Links" with the natural results of an Internet search. Google's AdWords advertising platform permits a sponsor to "purchase" keywords that trigger the appearance of the sponsor's advertisement and link when the keyword is entered as a search term. In other words, an advertiser purchases the right to have his ad and accompanying link displayed with the search results for a keyword or combination of words relevant to the advertiser's business. Most sponsors advertising with Google pay on a "cost-per-click" basis, meaning that the advertiser pays whenever a user of Google's search engine clicks on the sponsored link.

Google displays up to three sponsored links in a highlighted box immediately above the natural search results, and it also displays sponsored links to the right of the search results, but separated by a vertical line. As this suggests, more than one sponsor can purchase the same keyword and have a link displayed when a search for that keyword is conducted. Would-be advertisers purchase their desired keywords through an auction where advertisers bid competitively against each other for page position on the search results page. Generally speaking, users of the Internet are apparently more likely to click on ads that appear higher up on the search results page. Accordingly, an advertiser will try to outbid its competitors for the top positions in order to maximize the number of clicks on the advertiser's text ads. For the advertiser, more clicks yield increased web traffic, which means more potential website sales. Google, in turn, benefits by placing the most relevant ads in the most desirable locations, which increases the likelihood of a high click-through rate and leads to increased advertising revenue.

An advertiser must register for a Google AdWords account before bidding on a keyword. Under AdWords' boilerplate terms and conditions, the account holder must agree to assume responsibility for its selected keywords, for all advertising content, and for "ensuring that [its] use of the keywords does not violate any applicable laws." J.A. 4081. Account holders must also agree to refrain from "advertis[ing] anything illegal or engag[ing] in any illegal or fraudulent business practice." J.A. 2382.

Prior to 2004, Google's policy precluded both the use of trademarks in the text of an advertisement and the use of trademarks as keywords upon request of the trademark owner. In 2004, Google loosened its trademark usage policy to allow the use of third-party trademarks as keywords even over the objection of the trademark owner. Google later even introduced a trademark-specific keyword tool that suggested relevant trademarks for Google's advertising clients to bid on as keywords. Google, however, continued to block the use of trademarks in the actual advertisement text at the request of a trademark owner. At that time, Google's internal studies suggested the unrestricted use of trademarks in the text of an advertisement might confuse Internet users.

Finally, in 2009, Google changed its policy to permit the limited use of trademarks in advertising text in four situations: (1) the sponsor is a reseller of a genuine trademarked product; (2) the sponsor makes or sells component parts for a trademarked product; (3) the sponsor offers compatible parts or goods for use with the trademarked product; or (4) the sponsor provides information about or reviews ***152** a trademarked product. Google's policy shift came after it developed the technology to automatically check the linked websites to determine if the sponsor's use of the trademark in the ad text was legitimate. [3]

Rosetta Stone contends that Google's policies concerning the use of trademarks as keywords and in ad text created not only a likelihood of confusion but also actual confusion as well, misleading Internet users into purchasing counterfeit ROSETTA STONE software. Moreover, Rosetta Stone alleges that it has been plagued with counterfeiters since Google announced its policy shift in 2009. According to Rosetta Stone, between September 3, 2009, and March 1, 2010, it was forced to report 190 instances to Google in which one of Google's sponsored links was marketing counterfeit ROSETTA STONE products.

Rosetta Stone filed this action against Google, asserting several claims: direct trademark infringement under the Lanham Act, *see* 15 U.S.C. § 1114(1)(a); contributory trademark infringement; (3) vicarious trademark infringement; (4) trademark dilution, *see* 15 U.S.C. § 1125(c)(1); and (5) unjust enrichment. Google filed a motion for summary judgment as to all claims except unjust enrichment. As to that claim, Google moved to dismiss. The district court granted Google's motion for summary judgment on all claims and granted the motion to dismiss the unjust enrichment claim. The district court denied Rosetta Stone's cross-motion for partial summary judgment.

II. Direct Infringement

The district court entered summary judgment against Rosetta Stone as to its direct trademark infringement claim, concluding (A) that there is not a genuine issue of fact as to whether Google's use of ROSETTA STONE created a likelihood of confusion; and (B) that the "functionality doctrine" shielded Google from liability in any event. We conclude that neither ground can sustain the summary judgment order as to this claim. Accordingly, we vacate the district court's order as it pertains to the direct infringement claim and remand for further proceedings.

A. Likelihood of Confusion

[1] To establish trademark infringement under the Lanham Act, a plaintiff must prove: (1) that it owns a valid mark; (2) that the defendant used the mark "in commerce" and without plaintiff's authorization; (3) that the defendant used the mark (or an imitation of it) "in connection with the sale, offering for sale, distribution, or advertising" of goods or services; and (4) that the defendant's use of the mark is likely to confuse consumers. 15 U.S.C. § 1114(a); *see Louis Vuitton Malletier S.A. v. Haute Diggity Dog, LLC,* 507 F.3d 252, 259 (4th Cir.2007); *People for the Ethical Treatment of Animals v. Doughney,* 263 F.3d 359, 364 (4th Cir.2001).

According to the district court, Google did not dispute that Rosetta Stone was able to surmount the summary judgment barrier on all of the infringement elements except the likelihood of confusion element. *See Rosetta Stone,* 730 F.Supp.2d at 540–41. On appeal, Google does not take issue with this statement.[4] Thus, we assume for ***153** purposes of this appeal that Google's policy permitting advertisers to use Rosetta Stone's marks as keywords in the AdWords program and to use Rosetta Stone's marks in the text of advertisements constituted an unauthorized use "in commerce" and "in connection with the sale, offering for sale, distribution, or advertising of any goods or services." 15 U.S.C. § 1114(1)(a). The only question for us on Rosetta Stone's direct trademark infringement claim is whether there is sufficient evidence for a finder of fact to conclude that Google's "use" of the mark in its AdWords program is "likely to produce confusion in the minds of consumers about the origin of the goods or services in question." *CareFirst of Md., Inc. v. First Care, P.C.,* 434 F.3d 263, 267 (4th Cir.2006) (internal quotation marks omitted).

This court has articulated at least nine factors that generally are relevant to the "likelihood of confusion" inquiry:

> (1) the strength or distinctiveness of the plaintiff's mark as actually used in the marketplace; (2) the similarity of the two marks to consumers; (3) the similarity of the goods or services that the marks identify; (4) the similarity of the facilities used by the markholders; (5) the similarity of advertising used by the markholders; (6) the defendant's intent; (7) actual confusion; (8) the quality of the defendant's product; and (9) the sophistication of the consuming public.

George & Co., LLC v. Imagination Entm't Ltd., 575 F.3d 383, 393 (4th Cir.2009). Although summary judgment on the likelihood of confusion issue is certainly permissible in appropriate cases, we have noted this is "an inherently factual issue that depends on the facts and circumstances in each case." *Lone Star Steakhouse & Saloon, Inc. v. Alpha of Va., Inc.,* 43 F.3d 922, 933 (4th Cir.1995) (internal quotation marks omitted).

The district court indicated that "only three of the nine confusion factors are in dispute: (1) defendant's intent; (2) actual confusion; and (3) the consuming public's sophistication." *Rosetta Stone,* 730 F.Supp.2d at 541. Weighing both Rosetta Stone's evidence and Google's rebuttal evidence, the district court concluded that all three "disputed" factors favored Google. The district court then stated that it had "[b]alanc[ed] all of the disputed likelihood of confusion factors, ... [and] conclude[d] that Google's use of the Rosetta Stone Marks d[id] not amount to direct trademark infringement." *Id.* at 545. On appeal, Rosetta Stone argues that the district court failed to consider the effect of the other "undisputed" confusion factors, suggesting that all of these factors favor Rosetta Stone. Rosetta Stone also contends that there was sufficient evidence to create a genuine issue of fact as to whether the three "disputed" confusion factors favored Google or Rosetta Stone. We address these arguments in turn.

1. Failure to Address All Factors

[2] Rosetta Stone contends that the district court's failure to consider all nine of the traditional likelihood-of-confusion ***154** factors was reversible error. We cannot agree. This judicially created list of factors is not intended to be exhaustive or mandatory. *See Pizzeria Uno Corp. v. Temple,* 747 F.2d 1522, 1527 (4th Cir.1984) (setting forth factors one through seven); *see also Sara Lee Corp. v. Kayser–Roth Corp.,* 81 F.3d 455, 463–64 (4th Cir.1996) (identifying factors eight and nine). These "factors are not always weighted equally, and not all factors are relevant in every case." *Louis Vuitton,* 507 F.3d at 259–60. In fact, "there is no need for each factor to support [the plaintiff's] position on the likelihood of confusion issue." *Synergistic Int'l, LLC v. Korman,* 470 F.3d 162, 171 (4th Cir.2006). Rather, the confusion "factors are only a guide—a catalog of various considerations that may be relevant in determining the ultimate statutory question of likelihood of confusion." *Anheuser–Busch, Inc. v. L & L Wings, Inc.,* 962 F.2d 316, 320 (4th Cir.1992). Accordingly, there is no hard and fast rule that obligates the district court to discuss each non-mandatory factor.

This is especially true when the offending use of the plaintiff's trademark is referential or nominative in nature. *See Century 21 Real Estate Corp. v. Lendingtree, Inc.,* 425 F.3d 211, 217 (3d Cir.2005). Unlike the typical infringement fact-pattern wherein the defendant "passe[s] off another's mark as its own" and "confus[es] the public as to precisely whose goods are being sold," *id.,* a nominative use is one in which the defendant uses the plaintiff's trademark to identify the plaintiff's own goods, *see Tiffany (NJ) Inc. v. eBay Inc.,* 600 F.3d 93, 102 (2d Cir.2010), and "makes it clear to consumers that the plaintiff, not the defendant, is the source of the trademarked product or service," *Century 21,* 425 F.3d at 220; *see Tiffany,* 600 F.3d at 102 (explaining that a "nominative fair use" does not create "confusion about the source of [the] defendant's product" (internal quotation marks omitted)). An example of this type of use would be where an automobile repair shop specializing in foreign vehicles runs an advertisement using the trademarked names of various makes and models to highlight the kind of cars it repairs. *See New Kids On The Block v. News Am. Publ'g, Inc.,* 971 F.2d 302, 306–07 (9th Cir.1992).

In the context of a referential or nominative type of use, the application of the traditional multi-factor test is difficult because often many of the factors "are either unworkable or not suited or helpful as indicators of confusion in this context." *Century 21,* 425 F.3d at 224; *see Playboy Enters., Inc. v. Welles,* 279 F.3d 796, 801 (9th Cir.2002). For example, the first two factors in our list—the similarity of the marks and the strength of the plaintiff's mark—are clearly of limited value for assessing the kind of use at issue here. Consideration of the similarity of the marks will *always* suggest the presence of consumer confusion—the mark used will always be *identical* "because, by definition, nominative use involves the use of *another's* trademark in order to describe the trademark owner's *own* product." *Century 21,* 425 F.3d at 224. The similarity factor does not account for context and "lead[s] to the incorrect conclusion that virtually all nominative uses are confusing." *Playboy Enters.,* 279 F.3d at 801.

[3] The strength of the plaintiff's mark is also of limited probative value as to the confusion created by a nominative use. When a defendant creates an association between its goods or services and plaintiff's mark, the strength of the mark is relevant since encroachment upon a strong mark is more likely to cause confusion. *See CareFirst of Md.,* 434 F.3d at 270 ("A strong trademark is one that is rarely used by parties other than the owner of the ***155** trademark, while a weak trademark is one that is often used by other parties." (internal quotation marks omitted)). Of course, in the nominative use context, the defendant is not passing off its products under the plaintiff's mark but rather is using plaintiff's mark to refer to plaintiff's own products. The strength of the mark is often not informative as to confusion in this context. *See Century 21,* 425 F.3d at 225.

The district court also did not address the two factors relating to the trademarked goods—the similarity of the parties' goods and services and the quality of the defendant's goods. Because Google offers no products or services under Rosetta Stone's mark, these factors are irrelevant in this context.

The final two factors not addressed by the district court—the similarity of facilities and the similarity of advertising—are likewise of no relevance here. When considering the similarity of facilities, courts are trying to determine if confusion is likely based on "how and to whom the respective goods of the parties are sold," and the key question is whether "both products [are] sold in the same 'channels of trade.' " 4 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 24:51 [hereinafter *McCarthy on Trademarks]; see Sara Lee Corp.,* 81 F.3d at 466 (similarity of distribution channels favored confusion where the parties' products were sold, "often side-by-side," in the same mass merchandising outlets). As Google distributes no respective product via the Internet or other outlets, this factor does not aid the likelihood-of-confusion analysis in this case.

We hasten to add that we are not adopting a position about the viability of the nominative fair-use doctrine as a defense to trademark infringement or whether this doctrine should formally alter our likelihood-of-confusion test in some way. That question has not been presented here and we leave it for another day. We have merely attempted to highlight the problems inherent in the robotic application of each and every factor in a case involving a referential, nontrademark use. Accordingly, the district court did not commit reversible error in failing to address every factor. In the future, however, a district court opting not to address a given factor or group of factors should provide at least a brief explanation of its reasons.

2. Remaining "Disputed" Factors: Genuine Issues of Fact

[4] Nevertheless, we agree that summary judgment should not have been granted. As explained in the discussion that follows, the district court did not properly apply the summary judgment standard of review but instead viewed the evidence much as it would during a bench trial.

(a) Intent

The district court concluded that no reasonable trier of fact could find that Google intended to create confusion by permitting the use of ROSETTA STONE in the text of sponsored links or as keywords in Google's AdWords program. The court found it especially significant that "there is no evidence that Google is attempting to pass off its goods or services as Rosetta Stone's." *Id.* at 541.

The record shows that prior to 2004, Google did not allow the use of trademarks as keyword search triggers for unauthorized advertisers or in the body or title of the text of an advertisement. In 2004, Google loosened its restrictions on the use of trademarks as keywords to "[p]rovide users with more choice and greater access to relevant information." J.A. 4264. The underlying reason was largely financial, as ***156** Google's research showed that "[a]bout 7% [of its] total revenue [was] driven by [trademark]ed keywords." J.A. 4265. With the policy shift, Google understood that "[t]here [would be] a slight increase in risk that we and our partners will be the subject of lawsuits from unhappy trademark owners." J.A. 4271. At that time, however, Google "continue [d] to prevent advertisers from using ... trademarks in their *ad text* or *ad titles* unless the advertiser is authorized to do so by the trademark owner." J.A. 4263. Indeed, internal studies performed by Google at this time suggested that there was significant source confusion among Internet searchers when trademarks were included in the title or body of the advertisements.

Nonetheless, Google shifted its policy again in 2009, telling its customers and potential customers that "we are adjusting our trademark policy ... to allow some ads to use trademarks in the ad text. Under certain criteria, you can use trademark terms in your ad text ... even if you don't own that trademark or have explicit approval from the trademark owner to use it." J.A. 4383. Google expected a substantial boost in revenue from the policy change as well as an uptick in litigation from trademark owners. The record does not contain further Google studies or any other evidence suggesting that in 2009 source confusion relating to the use of trademarks in the body of an advertisement was any less significant than in 2004. Viewing the evidence and all reasonable inferences in a light most favorable to Rosetta Stone, as we are required to do on a motion for summary judgment, we conclude that a reasonable trier of fact *could* find that Google intended to cause confusion in that it acted with the knowledge that confusion was very likely to result from its use of the marks.

(b) Actual Confusion

(i) Actual Purchaser Confusion

Rosetta Stone presented both survey and anecdotal evidence of actual confusion in connection with Google's use of trademarks in its AdWords program. *See George & Co.,* 575 F.3d at 398 ("Actual confusion can be demonstrated by both anecdotal and survey evidence."). Both types of evidence are relevant, and neither category is necessarily required to prove actual confusion. *See Tools USA & Equip. Co. v. Champ Frame Straightening Equip., Inc.,* 87 F.3d 654, 661 (4th Cir.1996).

First, the record includes the deposition testimony of five consumers who attempted to buy a ROSETTA STONE software package via the Internet in 2009 after Google began permitting use of ROSETTA STONE and other trademarks in the text of the sponsored links. Each of these would-be customers purchased bogus ROSETTA STONE software from a sponsored link that they mistakenly believed to be either affiliated with

Rosetta Stone or authorized by Rosetta Stone to resell or distribute genuine software. In each instance, the customer received fake software that would not load onto his or her computer or was so faulty after loading as to be altogether useless. Each witness testified that he or she called Rosetta Stone directly, believing that Rosetta Stone would assist because it was a defective genuine product or that Rosetta Stone had empowered the reseller to offer its products. Typical of this set of witnesses was Steve Dubow, a college-educated founder and owner of a software company. Mr. Dubow testified that he wanted to learn Spanish and, after conducting his own research on the Internet, concluded that the ROSETTA STONE brand was best for him. Mr. Dubow then described how he arrived at the decision to purchase ***157** from "bossdisk.com," one of the sponsored links that was selling counterfeit ROSETTA STONE products:

> ... At the time that you entered the terms ... "Rosetta Stone" in the Google search engine ... in October 2009, do you recall whether any advertisements appeared on the first page?
>
> ... [W]hat do you mean by advertisements?
>
> Q. Links that appear to you to be companies selling goods in response to your query.
>
> A. Yes.... There were quite a few under that description, yes.
>
> Q. What do you recall seeing on the search page results when you entered Rosetta Stone in the Google search engine?
>
> A. I saw a number of sites ... advertising Rosetta Stone software for a number of different discounted prices. What attracted us to this particular site was that they presumed to be a Rosetta Stone reseller reselling OEM or original equipment manufactured product.
>
> ...
>
> Q. What do you mean by reseller?
>
> A. That they were a ... sanctioned reseller of Rosetta Stone product.

J.A. 4614c–4615a. Once Mr. Dubow received the shipment from bossdisk.com and determined that the software appeared to need a key code to become fully operational, he called Rosetta Stone because he "thought that since this company was a representative perhaps they just forgot to put the welcome kit in this package and they would have a key." J.A. 4620c.

[5] The district court dismissed this anecdotal customer testimony as evidence of actual confusion for several reasons. We agree with Rosetta Stone that none of these reasons provide a proper basis for rejecting this testimony completely.

First, the district court concluded that the witnesses indicated they knew they were not purchasing directly from Rosetta Stone's site and, therefore, "none of the Rosetta Stone witnesses were confused about the source of their purchase but only as to whether what they purchased was genuine or counterfeit." *Rosetta Stone,* 730 F.Supp.2d at 544. More than just source confusion is at issue in an infringement claim since "[t]he unauthorized use of a trademark infringes the trademark holder's rights if it is likely to confuse an ordinary consumer as to the source *or sponsorship* of the goods." *Doughney,* 263 F.3d at 366 (emphasis added) (internal quotation marks omitted). "The confusion that is remedied by trademark and unfair competition law is confusion not only as to source, but also as to affiliation, connection or sponsorship." 4 *McCarthy on Trademarks* § 23:8.

The district court also reasoned that none of the five witnesses were confused by a sponsored link "that conformed to Google's policies—*i.e.,* used the Rosetta Stone Marks in connection with advertising genuine goods." *Rosetta Stone,* 730 F.Supp.2d at 543. This is no basis, however, for rejecting this testimony. Whether the sponsored link conforms to Google's policy is not an issue that bears upon whether the consuming public, which is not privy to these policies, is confused by the *actual* use of the trademarks in sponsored links. What matters is whether "the defendant's *actual practice* is likely to produce confusion in the minds of consumers about the origin of the goods or services in question." *CareFirst of Md.,* 434 F.3d at 267 (emphasis added) (internal quotation marks omitted).

Finally, the district court dismissed the anecdotal evidence as de minimis given that there were only five instances of actual ***158** confusion out of more than "100,000 impressions over six years." *Rosetta Stone,* 730 F.Supp.2d at 543. And, indeed, "[e]vidence of only a small number of instances of actual confusion may be dismissed as *de minimis* " where the number of opportunities for confusion is great. *George & Co.,* 575 F.3d at 398; *see* 4 McCarthy § 23:14 ("If there is a very large volume of contacts or transactions which could give rise to confusion and there is only a handful of instances of actual confusion, the evidence of actual confusion may receive relatively little weight."). Rosetta Stone presented the deposition testimony of five individuals who had experienced actual confusion—the maximum number of "actual confusion" depositions permitted by the district court in this case. The record, however, contains other evidence of actual confusion. Rosetta Stone presented evidence that from April 1, 2009, through December 9, 2009, Rosetta Stone's customer care center received 123 complaints "from individuals who ha[d] purchased pirated/counterfeit software believing the software to be genuine Rosetta Stone product," J.A. 5427, and Rosetta Stone received 139 additional complaints from December 9, 2009, through March 8, 2010. Although this evidence does not indicate whether each customer logging a complaint made the purchase via a sponsored link, it is reasonable, for purposes of summary judgment, to infer that a great number of these individuals were confused by the apparent relationship between Rosetta Stone and the sponsored link given that Google began allowing trademarks to be displayed in the ad text in 2009 and in light of the evidence showing a substantial "proliferation of sponsored links to pirate/counterfeit sites." *Id.*

(ii) Google's In–House Studies and Google's Corporate Designees

The record also includes various in-house studies conducted by Google "to analyze user confusion (if any) associated with ads using [trademark] terms." J.A. 4362. One of the studies showed that "the likelihood of confusion remains high" when trademark terms are used in the title or body of a sponsored link appearing on a search results page. J.A. 4366. The study recommended "that the only effective [trademark] policy ... is: (1) [to] [a]llow [trademark] usage for keywords; (2) [but] not allow [trademark] usage in ad text—title or body." *Id.* And, in fact, Google's official policy change in 2004 that continued to prohibit trademark usage in ad text was based, in part, on these internal studies. The district court concluded these studies were not evidence of actual confusion because the studies did not test consumer impressions of the ROSETTA STONE mark specifically, but of a broad cross-section of 16 different brand names of varying strengths. We conclude that these studies, one of which reflected that "94% of users were confused at least once," are probative as to actual confusion in connection with Google's use of trademarks; indeed, Google determined that there was "[n]o difference between strong and weak trademarks" with respect to confusion. J.A. 4375.

Additionally, when testifying on behalf of Google as its Rule 30(b)(6) designees, two of Google's in-house trademark attorneys were shown a Google search results page for the keyword phrase "Rosetta Stone," and they were unable to determine without more research which sponsored links were authorized resellers of ROSETTA STONE products. The district court rejected this evidence as proof of actual confusion because the testimony appeared to the district court to "reflect a mere uncertainty about the source of a product rather than actual confusion." *Rosetta Stone,* 730 F.Supp.2d at 544. "[U]ncertain[ty ***159** about] the origin" of a product, however, is quintessential actual confusion evidence. *Sara Lee Corp.,* 81 F.3d at 466. The district court should have accepted it as evidence of actual confusion for summary judgment purposes; whether it is entitled to enough weight to carry the day on the ultimate issue is a matter for trial.

(iii) Dr. Kent Van Liere's Report

Rosetta Stone also presented a consumer confusion survey report from Dr. Kent Van Liere. Dr. Van Liere is an expert in market analysis and consumer behavior, with "experience conducting and using focus groups and surveys to measure consumer opinions ... regarding products and services," J.A. 5448, and "design[ing] and review[ing] studies on the application of sampling and survey research methods in litigation for a variety of matters including trademark/trade dress infringement," J.A. 5449. Dr. Van Liere "tested for actual confusion regarding the appearance of sponsored links when consumers conducted a Google search for 'Rosetta Stone.' " J.A. 5449. Based on this study, Dr. Van Liere concluded that

> a significant portion of consumers in the relevant population are likely to be confused as to the origin, sponsorship or approval of the "sponsored links" that appear on the

> search results page after a consumer has conducted a Google search using a Rosetta Stone trademark as a keyword and/or are likely to be confused as to the affiliation, endorsement, or association of the websites linked to those "sponsored links" with Rosetta Stone.

J.A. 5450. Specifically, Dr. Van Liere's survey "yield[ed] a net confusion rate of 17 percent"—that is, "17 percent of consumers demonstrate actual confusion." J.A. 5459. This result is clear evidence of actual confusion for purposes of summary judgment. *Cf. Sara Lee Corp.,* 81 F.3d at 467 n. 15 (suggesting that survey evidence "clearly favors the defendant when it demonstrates a level of confusion much below ten percent" but noting caselaw that "hold[s] that survey evidence indicating ten to twelve percent confusion was sufficient to demonstrate actual confusion").

The district court, however, concluded that the survey report was "unreliable evidence of actual confusion because the result contained a measure of whether respondents thought Google 'endorsed' a Sponsored Link, a non-issue." *Rosetta Stone,* 730 F.Supp.2d at 544. Thus, the court did not consider this survey evidence to be viable proof of actual confusion for much the same reason it rejected the deposition testimony of the five individuals who purchased counterfeit software. As we previously stated, however, trademark infringement creates a likelihood of "confusion not only as to source, but also as to affiliation, connection or sponsorship." 4 *McCarthy on Trademarks* § 23:8. Accordingly, this evidence should have been added to the other evidence of actual confusion to be considered in the light most favorable to Rosetta Stone.

(c) Sophistication of the Consuming Public

The district court concluded that the consumer sophistication factor also favored a finding that Google's use of the marks is not likely to create confusion. Noting the substantial cost of Rosetta Stone's products ("approximately $259 for a single-level package and $579 for a three-level bundle"), as well as the time commitment required to learn a foreign language, the district court concluded that the relevant market of potential purchasers "is comprised of well-educated consumers" who "are more likely to spend time searching and learning about Rosetta Stone's products." ***160** *Rosetta Stone Ltd.,* 730 F.Supp.2d at 545. From there, the court inferred consumer sophistication—consumers willing to pay Rosetta Stone's prices and, presumably, make the required time commitment "would tend to demonstrate that they are able to distinguish between the Sponsored Links and organic results displayed on Google's search results page." *Id.*

The district court drew this inference relying on *Star Industries, Inc. v. Bacardi & Co. Ltd.,* 412 F.3d 373 (2d Cir.2005), in which the Second Circuit noted that a court may "reach a conclusion about consumer sophistication based solely on the nature of the product or its price." *Id.* at 390. This is correct if, as in *Star Industries,* the court is making findings of fact on the likelihood of confusion issue following a bench trial. *See id.* at 379. In the more relevant context of a summary judgment motion, however, that is not the case, as "[c]redibility determinations, the weighing of the evidence, and the drawing of legitimate inferences from the facts are jury functions, not those of a judge ... ruling on a motion for summary judgment." *Anderson v. Liberty Lobby, Inc.,* 477 U.S. 242, 255, 106 S.Ct. 2505, 91 L.Ed.2d 202 (1986).

We conclude that there is sufficient evidence in the record to create a question of fact as to consumer sophistication that cannot be resolved on summary judgment. The record includes deposition testimony from Rosetta Stone customers who purchased counterfeit ROSETTA STONE software from sponsored links that they believed to be either affiliated with or authorized by Rosetta Stone to sell genuine software. The evidence also includes an internal Google study reflecting that even well-educated, seasoned Internet consumers are confused by the nature of Google's sponsored links and are sometimes even unaware that sponsored links are, in actuality, advertisements. At the summary judgment stage, we cannot say on this record that the consumer sophistication factor favors Google as a matter of law. There is enough evidence, if viewed in a light most favorable to Rosetta Stone, to find that this factor suggests a likelihood of confusion.

[6] In sum, we conclude that there is sufficient evidence in the record to create a question of fact on each of the "disputed" factors—intent, actual confusion, and consumer sophistication—to preclude summary judgment. Because the district court's likelihood-of-confusion analysis was limited only to these "disputed" factors, the likelihood-of-confusion issue cannot be resolved on summary judgment, and we vacate the district court's order in this regard. [5]

***161** B. Functionality

[7] As an alternate to its conclusion that Rosetta Stone failed to forecast sufficient evidence to establish a likelihood of confusion, the district court held that the use of the ROSETTA STONE marks as keywords was protected by the "functionality doctrine" and, as such, was non-infringing as a matter of law. *See Rosetta Stone,* 730 F.Supp.2d at 545. Because the functionality doctrine does not apply in these circumstances, however, we conclude that the district court erred in awarding summary judgment to Google on this basis.

The functionality doctrine developed as a common law rule prohibiting trade dress or trademark rights in the functional features of a product or its packaging. *See Wilhelm Pudenz, GmbH v. Littlefuse, Inc.,* 177 F.3d 1204, 1207 (11th Cir.1999); 1 *McCarthy* § 7:63. The purpose of the doctrine is to preserve the distinction between the realms of trademark law and patent law:

> The functionality doctrine prevents trademark law, which seeks to promote competition by protecting a firm's reputation, from instead inhibiting legitimate competition by allowing a producer to control a useful product feature. It is the province of patent law, not trademark law, to encourage invention by granting inventors a monopoly over new product designs or functions for a limited time, after which competitors are free to use the innovation. If a product's functional features could be used as trademarks, however, a monopoly over such features could be obtained without regard to whether they qualify as patents and could be extended forever (because trademarks may be renewed in perpetuity).

Qualitex Co. v. Jacobson Prods. Co., 514 U.S. 159, 164–65, 115 S.Ct. 1300, 131 L.Ed.2d 248 (1995) (internal citation omitted); *see Georgia–Pacific Consumer Prods., LP v. Kimberly–Clark Corp.,* 647 F.3d 723, 727 (7th Cir.2011) (explaining that "patent law alone protects useful designs from mimicry; the functionality doctrine polices the division of responsibilities between patent and trademark law by invalidating marks on useful designs" (internal quotation marks omitted)).

[8] In 1998, Congress adopted the functionality doctrine by explicitly prohibiting trademark registration or protection under the Lanham Act for a functional product feature, *see* 15 U.S.C. § 1052(e)(5) (prohibiting registration of a mark which "comprises any matter that, as a whole, is functional"), and by making functionality a statutory defense to an incontestably registered mark, *see* 15 U.S.C. § 1115(b)(8); *see generally* 1 *McCarthy* § 7:63. Although the Lanham Act does not define the term "functional," *see* 15 U.S.C. § 1127, the Supreme Court has explained that "a product feature is functional if it is essential to the use or purpose of the article or if it affects the cost or quality of the article." *Inwood Labs., Inc. v. Ives Labs., Inc.,* 456 U.S. 844, 850 n. 10, 102 S.Ct. 2182, 72 L.Ed.2d 606 (1982); *see TrafFix Devices, Inc. v. Marketing Displays, Inc.,* 532 U.S. 23, 32–33, 121 S.Ct. 1255, 149 L.Ed.2d 164 (2001). Under *Inwood*'s traditional rule, a product feature is functional if it is "the reason the device works," *Board of Supervisors v. Smack Apparel Co.,* 550 F.3d 465, 486 (5th Cir.2008) (internal quotation marks omitted), or it "constitute[s] the actual benefit that the customer wishes to purchase, as distinguished from an assurance that a particular entity made, sponsored, or endorsed a product," *Clamp Mfg. Co. v. Enco Mfg.* ***162** *Co.,* 870 F.2d 512, 516 (9th Cir.1989) (internal quotation marks omitted); *see I.P. Lund Trading v. Kohler Co.,* 163 F.3d 27, 37 n. 5 (1st Cir.1998). ("[F]unctional features or designs should be defined as those that are driven by practical, engineering-type considerations such as making the product work more efficiently, with fewer parts and longer life, or with less danger to operators, or be shaped so as to reduce expenses of delivery or damage in shipping." (internal quotation marks omitted)). [6]

The district court did not conclude, nor could it, that Rosetta Stone's marks were functional product features or that Rosetta Stone's *own use* of this phrase was somehow functional. Instead, the district court concluded that trademarked keywords—be it ROSETTA STONE or any other mark—are “functional” when entered into Google's AdWords program:

> The keywords ... have an essential indexing function because they enable Google to readily identify in its databases relevant information in response to a web user's query ... [T]he keywords also serve an advertising function that benefits consumers who expend the time and energy to locate particular information, goods, or services, and to compare prices.

Rosetta Stone, 730 F.Supp.2d at 546.

The functionality doctrine simply does not apply in these circumstances. The functionality analysis below was focused on whether Rosetta Stone's mark made *Google's* product more useful, neglecting to consider whether the mark was *functional as Rosetta Stone used it.* Rosetta Stone uses its registered mark as a classic source identifier in connection with its language learning products. Clearly, there is nothing functional about Rosetta Stone's use of its own mark; use of the words “Rosetta Stone” is not essential for the functioning of its language-learning products, which would operate no differently if Rosetta Stone had branded its product “SPHINX” instead of ROSETTA STONE. *See Playboy Enters., Inc. v. Netscape Commc'ns Corp.,* 354 F.3d 1020, 1030–31 (9th Cir.2004) (“Nothing about the marks used to identify PEI's products is a functional part of the design of those products” since “PEI could easily have called its magazine and its models entirely different things without losing any of their intended function.”). Once it is determined that the product feature—the word mark ROSETTA STONE in this case—is not functional, then the functionality doctrine has no application, and it is irrelevant whether Google's computer program functions better by use of Rosetta Stone's nonfunctional mark. *See id.* at 1031 (concluding that “[t]he fact that the [word] marks make *defendants*' computer program more functional is irrelevant” where plaintiff used its word marks merely to identify its products).

As the case progresses on remand, Google may well be able to establish that its use of Rosetta Stone's marks in its AdWords program is not an infringing use of such marks; however, Google will not be able to do so based on the functionality ***163** doctrine. The doctrine does not apply here, and we reject it as a possible affirmative defense for Google.

III. Contributory Infringement

[9] [10] [11] Rosetta Stone next challenges the district court's grant of summary judgment in favor of Google on the contributory trademark infringement claim. Contributory infringement is a “judicially created doctrine” that “derive[s] from the common law of torts,” *Von Drehle,* 618 F.3d at 449, under which liability may be imposed upon those who facilitate or encourage infringement, *see* 4 *McCarthy on Trademarks* § 25:17. The Supreme Court explained in *Inwood Laboratories* that

> if a manufacturer or distributor intentionally induces another to infringe a trademark, or if it continues to supply its product to one whom it knows or has reason to know is engaging in trademark infringement, the manufacturer or distributor is contributorily responsible for any harm done as a result of the deceit.

456 U.S. at 854, 102 S.Ct. 2182. It is not enough to have general knowledge that some percentage of the purchasers of a product or service is using it to engage in infringing activities; rather, the defendant must supply its product or service to “identified individuals” that it knows or has reason to know are engaging in trademark infringement. *See Sony Corp. of America v. Universal City Studios, Inc.,* 464 U.S. 417, 439 n. 19, 104 S.Ct. 774, 78 L.Ed.2d 574 (1984) (contributory trademark infringement requires a showing that the defendant “intentionally induc[ed] its customers to make infringing uses” of the marks or “suppl[ied] its products to identified individuals known by it to be engaging in continuing infringement” (internal quotation marks omitted)). Finally, for there to be liability for contributory trademark infringement, the plaintiff must establish underlying direct infringement. *See Von Drehle,* 618 F.3d at 451. In other words, there must necessarily have been an infringing use of the plaintiff's mark that was encouraged or facilitated by the defendant.

The district court recognized that Rosetta Stone had come forward with evidence relevant to its contributory infringement claim. The most significant evidence in this regard reflected Google's purported allowance of known infringers and counterfeiters to bid on the Rosetta Stone marks as keywords:

> [The evidence included] a spreadsheet that Google received which reflects the dates when Rosetta Stone advised Google that a Sponsored Link was fraudulent, the domain names associated with each such Sponsored Link, the text of each Sponsored Link, and the date and substance of Google's response. As documented, from September 3, 2009 through March 1, 2010, Rosetta Stone notified Google of approximately 200 instances of Sponsored Links advertising counterfeit Rosetta Stone products. Rosetta Stone contends that even after being notified of these websites, Google continued to allow Sponsored Links for other websites by these same advertisers to use the Rosetta Stone Marks as keyword triggers and in the text of their Sponsored Link advertisements. For example, between October 2009 to December 2009, 110 different Sponsored Links purportedly selling Rosetta Stone products used "Rosetta Stone" as a keyword trigger, and most of the Links included "Rosetta Stone" or "Rosettastone" in their display. Registered to the same individual, these 110 Links were displayed on 356,675 different search-results pages.

***164** *Rosetta Stone,* 730 F.Supp.2d at 547 (internal citations omitted).

Nevertheless, the district court indicated it was "unpersuaded" by this evidence. *Id.* at 547. The district court's conclusion was based largely on *Tiffany (NJ) Inc. v. eBay Inc.,* 600 F.3d 93 (2d Cir.2010), in which the Second Circuit rejected a contributory trademark infringement claim against an Internet auction site, eBay, by a trademark owner, Tiffany, whose mark was being used by jewelry counterfeiters on eBay's site. The *record at trial* in that case contained evidence "demonstrat[ing] that eBay had *generalized* notice that some portion of the Tiffany goods sold on its website might be counterfeit," *id.* at 106, having received "thousands of [Notice of Claimed Infringement Forms] [Tiffany] filed with eBay alleging ... that certain listings were counterfeit," *id.* The Second Circuit concluded that such evidence was insufficient to satisfy *Inwood*'s "knows or has reason to know" requirement and that Tiffany "would have to show that eBay knew or had reason to know of *specific* instances of actual infringement beyond those that it addressed upon learning of them." *Id.* at 107 (emphasis added; internal quotation marks omitted). The Second Circuit noted, however, that had there been evidence of willful blindness, that would have satisfied the *Inwood* standard. *See id.* at 109. "[C]ontributory liability may arise where a defendant is (as was eBay here) made aware that there was infringement on its site but (unlike eBay here) ignored that fact." *Id.* at 110 n. 15.[7]

Applying *Tiffany,* the district court concluded that Rosetta Stone failed to establish with the requisite specificity that Google knew or should have known of the infringing activity:

> *Comparing the evidence* of knowledge attributed to eBay to the roughly 200 notices Google received of Sponsored Links advertising counterfeit Rosetta Stone products on its search results pages, the Court necessarily holds that Rosetta Stone *has not met the burden of showing that summary judgment is proper* as to its contributory trademark infringement claim.

See Rosetta Stone, 730 F.Supp.2d at 549 (emphasis added). The court also noted that Google did not turn a blind eye to Rosetta Stone's complaints about counterfeiters, explaining that "[t]here is little Google can do beyond expressly prohibiting advertisements for counterfeit goods, taking down those advertisements when it learns of their existence, and creating a team dedicated to fighting advertisements for counterfeit goods." *Id.* at 548.

[12] On appeal, Rosetta Stone argues that the district court misapplied the standard of review and incorrectly awarded summary judgment to Google where the evidence was sufficient to permit a trier of fact to find contributory infringement. We agree. In granting summary judgment to Google because "Rosetta Stone has not met the burden of showing that summary judgment is proper as to its contributory trademark infringement claim," the district court turned the summary judgment standard on its head. While it may very well be that Rosetta Stone was not entitled to summary judgment, that issue is not before us. The only question in this appeal is whether, viewing the evidence and drawing all reasonable ***165** inferences from that evidence in a light most favorable to Rosetta Stone, a reasonable trier of fact could find in favor of Rosetta Stone, the nonmoving party. *See Von Drehle,* 618 F.3d at 445. Of course, the *Tiffany* court did not view the evidence through the lense of summary judgment; rather, *Tiffany* involved an appeal of judgment rendered after a lengthy bench trial. Because of its procedural posture, the district court in *Tiffany* appropriately weighed the evidence sitting as a trier of fact. Accordingly, *Tiffany* is of limited application in these circumstances, and the district court's heavy reliance on *Tiffany* was misplaced. We conclude that the evidence recited by the district court is sufficient to establish a question of fact as to whether Google continued to supply its services to known infringers. Accordingly, we vacate the district court's order to the extent it grants summary judgment in favor of Google on Rosetta Stone's contributory infringement claim.

IV. Vicarious Infringement

[13] Rosetta Stone next challenges the district court's rejection of its vicarious liability theory. "Vicarious liability" in the trademark context is essentially the same as in the tort context: the plaintiff seeks to impose liability based on the defendant's relationship with a third party tortfeasor. Thus, liability for vicarious trademark infringement requires "a finding that the defendant and the infringer have an apparent or actual partnership, have authority to bind one another in transactions with third parties or exercise joint ownership or control over the infringing product." *Hard Rock Cafe Licensing Corp. v. Concession Servs., Inc.,* 955 F.2d 1143, 1150 (7th Cir.1992).

[14] Rosetta Stone argues that the evidence proffered was sufficient to create a question of fact regarding whether Google jointly controls the appearance of the ads or sponsored links on Google's search-engine results page. This is not evidence, however, that Google acts jointly with any of the advertisers to control the counterfeit ROSETTA STONE products. Accordingly, we affirm the district court's grant of summary judgment in favor of Google on Rosetta Stone's vicarious liability claim.

V. Unjust Enrichment

Rosetta Stone contends that the district court improperly dismissed its claim for unjust enrichment under Virginia law. The district court dismissed this claim on two grounds, concluding that Rosetta Stone failed to allege facts sufficient to state a claim of unjust enrichment, *see Rosetta Stone,* 732 F.Supp.2d at 631–32, and that the Communications Decency Act (CDA), *see* 47 U.S.C. § 230(c)(1), bars the unjust enrichment claim, *see Rosetta Stone,* 732 F.Supp.2d at 633. We conclude that Rosetta Stone failed to sufficiently plead the elements of its unjust enrichment claim and therefore affirm, albeit on reasoning different than that of the district court.

[15] **[16]** **[17]** A cause of action for unjust enrichment in Virginia "rests upon the doctrine that a man shall not be allowed to enrich himself unjustly at the expense of another." *Kern v. Freed Co.,* 224 Va. 678, 299 S.E.2d 363, 365 (1983) (internal quotation marks omitted); *see Nossen v. Hoy,* 750 F.Supp. 740, 744 (E.D.Va.1990). "To avoid unjust enrichment, equity will effect a 'contract implied in law,' " *i.e.,* a quasi contract, "requiring one who accepts and receives the services of another to make reasonable compensation for those services." *Po River Water and Sewer Co. v. Indian Acres Club of Thornburg, Inc.,* 255 Va. 108, 114, 495 S.E.2d 478 (1998). A plaintiff asserting unjust enrichment must demonstrate the following three elements: ***166** "(1) he conferred a benefit on [the defendant]; (2) [the defendant] knew of the benefit and should reasonably have expected to repay [the plaintiff]; and (3) [the defendant] accepted or retained the benefit without paying for its value." *Schmidt v. Household Finance Corp.,* 276 Va. 108, 661 S.E.2d 834, 838 (2008).

[18] **[19]** The district court concluded that Rosetta Stone failed to state a claim because it did not allege "facts which imply that [Google] promised to pay the plaintiff for the benefit received" or that there was "an understanding by Google that it owed Rosetta Stone revenue earned for paid advertisements containing the Rosetta Stone

Marks." *Rosetta Stone,* 732 F.Supp.2d at 631, 632. Failure to allege an implicit promise to pay, however, is not necessarily fatal to an implied contract theory. Virginia distinguishes between two types of implied contracts: contracts that are implied-in-fact and contracts that are implied-in-law. An implied-in-fact contract is an actual contract that was not reduced to writing, but the court infers the existence of the contract from the conduct of the parties. *See Nossen,* 750 F.Supp. at 744. To recover under a contract "implied-in-fact," a plaintiff must allege "facts to raise an implication that the *defendant promised to pay* the plaintiff for such benefit." *Nedrich v. Jones,* 245 Va. 465, 429 S.E.2d 201, 207 (1993) (internal quotation marks omitted & emphasis added).

[20] By contrast, the concept of an implied-in-law contract, or quasi contract, applies only when there is not an actual contract or meeting of the minds. *See id.* We understand Rosetta Stone's unjust enrichment claim to be an implied-in-law contract claim; thus, the failure to allege that Google implicitly *promised* to pay is not fatal.

[21] Nonetheless, this court can affirm the dismissal of the complaint "on any basis fairly supported by the record." *Eisenberg v. Wachovia Bank, N.A.,* 301 F.3d 220, 222 (4th Cir.2002). We conclude that Rosetta Stone failed to allege facts showing that it "conferred a benefit" on Google for which Google "should reasonably have expected" to repay. According to Rosetta Stone, the keyword trigger auctions constitute the unauthorized sale of the ROSETTA STONE marks. Rosetta Stone alleges that through the auctions it conferred a benefit "involuntarily" on Google, and that Google "is knowingly using the goodwill established in [the] trademarks to derive ... revenues." J.A. 197. Rosetta Stone, however, has not alleged *facts* supporting its general assertion that Google "should reasonably have expected" to pay for the use of marks in its keyword query process. Indeed, Rosetta Stone does not contend, and did not allege, that Google pays any other mark holder for the right to use a mark in its AdWords program. In our view, these allegations are insufficient to surmount even the minimal barrier presented by a motion to dismiss. [8]

***167** VI. Trademark Dilution

[22] Rosetta Stone next challenges the district court's summary judgment order as to its trademark dilution claim. "Unlike traditional infringement law, the prohibitions against trademark dilution ... are not motivated by an interest in protecting consumers." *Moseley v. V. Secret Catalogue, Inc.,* 537 U.S. 418, 429, 123 S.Ct. 1115, 155 L.Ed.2d 1 (2003). Dilution is not concerned with confusion in the marketplace. Rather, dilution theory provides that "if customers or prospective customers see the plaintiff's famous mark used by other persons in a non-confusing way to identify other sources for many different goods and services, then the ability of the famous mark to clearly identify and distinguish only one source might be 'diluted' or weakened." 4 *McCarthy* § 24:67. Thus, trademark dilution is "the whittling away of the established trademark's selling power and value through its unauthorized use by others." *Tiffany,* 600 F.3d at 111 (internal quotation marks and alteration omitted).

Until 1996, trademark dilution was based entirely upon state law because federal law did not recognize the dilution doctrine. The Federal Trademark Dilution Act (FTDA) was passed in 1996, *see* Pub.L. No. 104–98, 109 Stat. 985 (1996), and was amended substantially in 2006 with the passage of the Trademark Dilution Revision Act of 2006, *see* Pub.L. No. 109–312, § 2, 120 Stat. 1730 (2006). The FTDA currently provides:

> [T]he owner of a *famous* mark ... shall be entitled to an injunction against another person who ... commences use of a mark or trade name in commerce that is likely to cause *dilution by blurring* or *dilution by tarnishment* of the famous mark, regardless of the presence or absence of actual or likely confusion, of competition, or of actual economic injury.

15 U.S.C. § 1125(c)(1) (emphasis added). The statute defines "dilution by blurring" as the "association arising from the similarity between a mark or trade name and a famous mark that impairs the distinctiveness of the famous mark." 15 U.S.C. § 1125(c)(2)(B). "[D]ilution by tarnishment" is defined as the "association arising from the similarity between a mark or trade name and a famous mark that harms the reputation of the famous mark." 15 U.S.C. § 1125(c)(2)(C). Thus, blurring under the federal statute involves the classic "whittling away" of the selling power and strength of the famous mark. Tarnishment, by contrast, creates consumer aversion to the famous brand

—*e.g.,* when the plaintiff's famous trademark is “linked to products of shoddy quality, or is portrayed in an unwholesome or unsavory context” such that “the public will associate the lack of quality or lack of prestige in the defendant's goods with the plaintiff's unrelated goods.” *Scott Fetzer Co. v. House of Vacuums Inc.,* 381 F.3d 477, 489 (5th Cir.2004) (internal quotation marks omitted).

[23] Finally, the FTDA expressly excludes from its reach “[a]ny fair use, including a nominative or descriptive fair use, or facilitation of such fair use, of a famous mark by another person other than as a designation of source for the person's own goods or services.” 15 U.S.C. § 1125(c)(3)(A). The statute specifically provides comparative advertising and parody as examples of non-dilutive fair uses. *See* 15 U.S.C. § 1125(c)(3)(A)(i) & (ii). Accordingly, “fair use,” though not so labeled in the statute, essentially amounts to an affirmative defense against a claim of trademark dilution. *Cf.* ***168** *KP Permanent Make–Up v. Lasting Impression I, Inc.,* 543 U.S. 111, 117–18, 125 S.Ct. 542, 160 L.Ed.2d 440 (2004).

[24] To state a prima facie dilution claim under the FTDA, the plaintiff must show the following:

> (1) that the plaintiff owns a famous mark that is distinctive;
>
> (2) that the defendant has commenced using a mark in commerce that allegedly is diluting the famous mark;
>
> (3) that a similarity between the defendant's mark and the famous mark gives rise to an association between the marks; and
>
> (4) that the association is likely to impair the distinctiveness of the famous mark or likely to harm the reputation of the famous mark.

Louis Vuitton, 507 F.3d at 264–65.

The district court granted summary judgment for Google on the dilution claim on two bases. First, the district court held that Rosetta Stone was required but failed to present evidence that Google was “us[ing] the Rosetta Stone Marks to identify its *own* goods and services.” *Rosetta Stone,* 730 F.Supp.2d at 551. To support its conclusion, the district court relied on the text of the statutory “fair use” defense that shields a person's “fair use” of plaintiff's mark so long as such use is not as “a designation of source for the person's own goods or services.” 15 U.S.C. § 1125(c)(3)(A).

Second, the district court concluded that Rosetta Stone failed to show that Google's use of the mark was likely to impair the distinctiveness of or harm the reputation of the ROSETTA STONE marks. Specifically, the district court indicated that there was “no evidence of dilution by blurring when Rosetta Stone's brand awareness has only increased since Google revised its trademark policy in 2004,” and the court noted evidence that Rosetta Stone's “brand awareness equity also increased from 19% in 2005 to 95% in 2009.” *Rosetta Stone,* 730 F.Supp.2d at 551. In support of this conclusion, the district court read our decision in *Louis Vuitton* to establish the proposition that “no claim for dilution by blurring exists where a defendants' product only increases public identification of the plaintiffs' marks.” *Id.*

A. Google's Non–Trademark Use of Rosetta Stone's Marks

We first consider the district court's grant of summary judgment based on the lack of evidence that Google used the ROSETTA STONE marks “to identify its *own* goods and services.” *Id.* The district court held that Rosetta Stone could not establish its dilution claim, specifically, the third element, without showing that Google used the mark as a source identifier for its products and services. *See id.* at 550–51. In support of this conclusion, however, the district court relied upon the “fair use” defense available under the FTDA. *See* 15 U.S.C. § 1125(c)(3)(A) (“Any fair use, including a nominative or descriptive fair use, or facilitation of such fair use, of a famous mark by another person other than as a designation of source for the person's own goods or services” is not “actionable as dilution by blurring or dilution by tarnishment.”) Thus, the district court apparently concluded that Rosetta Stone was required, as part of its prima facie showing of dilution under the FTDA, to demonstrate that Google was using the mark as a source identifier for Google's own goods.

[25] We view § 1125(c)(3)(A) as affording a fair use *defense* to defendants in dilution actions. *See Louis Vuitton,* 507 F.3d at 265–66. In our view, once the owner of a famous mark establishes a prima facie case of dilution by blurring or tarnishment, it falls to the defendant to demonstrate that its use constituted a “fair

***169** use ... other than as a designation of source for the [defendant's] own goods or services," 15 U.S.C. § 1125(c)(3)(A). Whether Google used the mark other than as a source identifier and in good faith is an issue that Google, not Rosetta Stone, is obligated to establish. Thus, the district court erroneously required Rosetta Stone to demonstrate that Google was using the ROSETTA STONE mark as a source identifier for Google's own products.

More importantly, the district court erred when it ruled that Google was not liable for dilution simply because there was no evidence that Google uses the Rosetta Stone marks to identify Google's own goods and services. In essence, the district court made nontrademark use coextensive with the "fair use" defense under the FTDA. The statute, however, requires more than showing that defendant's use was "other than as a designation of source"—the defendant's use must also qualify as a "fair use." 15 U.S.C. § 1125(c)(3)(A). Indeed, if the district court's analysis is correct—that is, if a federal trademark dilution claim is doomed solely by the lack of proof showing that the defendant used the famous mark as a trademark—then the term "fair use" as set forth in § 1125(c)(3)(A) would be superfluous.

The district court failed to determine whether this was "fair use". Although the FTDA does not expressly define "fair use," the classic concept of "fair use" is well-established and incorporated as an affirmative defense to a claim of trademark infringement. *See* 15 U.S.C. § 1115(b)(4). The contours of the fair-use defense in the infringement context are therefore instructive on the classic or descriptive fair-use defense to a dilution claim. *See Sullivan v. Stroop,* 496 U.S. 478, 484, 110 S.Ct. 2499, 110 L.Ed.2d 438 (1990) ("[I]dentical words used in different parts of the same act are intended to have the same meaning." (internal quotation marks omitted)).

[26] Descriptive, or classic, fair use applies when the defendant is using a trademark "in its primary, descriptive sense" *to describe* the defendant's goods or services. *Fortune Dynamic, Inc. v. Victoria's Secret Stores Brand Mgmt., Inc.,* 618 F.3d 1025, 1031 (9th Cir.2010) (internal quotation marks omitted); *see* 15 U.S.C. § 1115(b)(4). The FTDA also expressly includes "nominative" fair use as a defense. *See* 15 U.S.C. § 1125(c)(3)(A). Typically, nominative fair use comes into play when the defendant uses the famous mark to identify or compare *the trademark owner's* product. *See New Kids on the Block,* 971 F.2d at 308; 4 McCarthy § 23.11. Regardless of the type of fair use claimed by a defendant, a common component of fair use is good faith. *See, e.g., JA Apparel Corp. v. Abboud,* 568 F.3d 390, 401 (2d Cir.2009) ("Assessment of this defense thus requires analysis of whether a given use was (1) other than as a mark, (2) in a descriptive sense, and (3) in good faith." (internal quotation marks omitted)); *Sands, Taylor & Wood Co. v. Quaker Oats Co.,* 978 F.2d 947, 951 (7th Cir.1992) ("To prevail on the fair use defense, the defendant must establish that it has used the plaintiff's mark, in good faith, to describe its (defendant's) product and otherwise than as a trademark." (internal quotation marks omitted)). In this context, "the inquiry into the defendant's good faith 'concerns the question whether the user of a mark intended to create consumer confusion as to source *or sponsorship*.' " *JA Apparel Corp.,* 568 F.3d at 400; *see also Bd. of Supervisors v. Smack Apparel Co.,* 550 F.3d 465, 489 (5th Cir.2008) (explaining that "in order to avail [itself] of the nominative fair use defense[,] the defendant (1) may only use so much of the mark as necessary to identify the product or ***170** service and (2) may not do anything that suggests affiliation, sponsorship, or endorsement by the markholder." (internal quotation marks omitted)).

In short, the court's summary judgment order omitted this analysis, impermissibly omitting the question of good faith and collapsing the fair-use defense into one question—whether or not Google uses the ROSETTA STONE mark as a source identifier for its own products. Accordingly, we vacate the district court's summary judgment order and remand for reconsideration of Rosetta Stone's dilution claim. If the district court determines that Rosetta Stone has made a prima facie showing under the elements set forth in *Louis Vuitton,* 507 F.3d at 264–65, it should reexamine the nominative fair-use defense in light of this opinion.

B. Likelihood of Dilution

Alternatively, the district court held that Rosetta Stone failed to satisfy the fourth and final element of its trademark dilution claim requiring that the plaintiff show defendant's use is "likely to impair the distinctiveness of the famous mark or likely to harm the reputation of the famous mark." *Id.* at 265. The court based its conclusion solely on the fact that "Rosetta Stone's brand awareness ha[d] only increased since Google revised its trademark policy in 2004." *Rosetta Stone,* 730 F.Supp.2d at 551. On the strength of this evidence, the district court concluded that "the distinctiveness of the Rosetta Stone Marks has not been impaired" and therefore that "Rosetta Stone cannot show that Google's trademark policy likely caused dilution by blurring." *Id.*

To determine whether the defendant's use is likely to impair the distinctiveness of the plaintiff's famous mark, the FTDA enumerates a non-exhaustive list of six factors that are to be considered by the courts:

> In determining whether a mark or trade name is likely to cause dilution by blurring, the court may consider all relevant factors, including the following:
>
> (i) The degree of similarity between the mark or trade name and the famous mark.
>
> (ii) The degree of inherent or acquired distinctiveness of the famous mark.
>
> (iii) The extent to which the owner of the famous mark is engaging in substantially exclusive use of the mark.
>
> (iv) The degree of recognition of the famous mark.
>
> (v) Whether the user of the mark or trade name intended to create an association with the famous mark.
>
> (vi) Any actual association between the mark or trade name and the famous mark.

15 U.S.C. § 1125(c)(2)(B). Although "[n]ot every factor will be relevant in every case, and not every blurring claim will require extensive discussion of the factors[,] ... a trial court must offer a sufficient indication of which factors it has found persuasive and explain why they are persuasive." *Louis Vuitton,* 507 F.3d at 266.

[27] The district court addressed only one factor—the degree of recognition of Rosetta Stone's mark—and did not mention any other remaining statutory factor. The court's reliance on Louis Vuitton for the proposition that no claim for dilution by blurring exists when there is evidence that public recognition of the defendants' product increased was error. *Louis Vuitton* addressed a far different fact pattern, where the defendant's fair use claim was based on parody, which Congress expressly included as a protected fair use under the FTDA so long as the mark being parodied is not being "used as a designation ***171** of source for the person's own goods or services." *See* 15 U.S.C.A. § 1125(c)(3)(A)(ii). We concluded that a successful parody "might actually enhance the famous mark's distinctiveness by making it an icon. The brunt of the joke becomes *yet more famous.*" *Louis Vuitton,* 507 F.3d at 267 (4th Cir.2007) (emphasis added). We disagree, therefore, the district court's reading of *Louis Vuitton.* Under the FTDA, Rosetta Stone must show only a *likelihood* of dilution and need not prove actual economic loss or reputational injury. *See id.* at 264 n. 2. The decision below employed a truncated analysis that placed a very heavy emphasis upon whether there had been any actual injury suffered by Rosetta Stone's brand. On remand, the court should address whichever additional factors might apply to inform its determination of whether Google's use is likely to impair the distinctiveness of Rosetta Stone's mark. *See* 15 U.S.C. § 1125(c)(2)(B).

C. When did Rosetta Stone's marks become famous?

Under the FTDA, the owner of a famous mark may obtain injunctive relief against any "person who, *at any time after* the owner's mark has become famous, *commences use* of a mark ... in commerce that is likely to cause dilution." 15 U.S.C. § 1125(c)(1) (emphasis added). A threshold issue, therefore, is whether the plaintiff's mark became famous, if at all, before the defendant began using the mark in commerce. Although the district court held that Rosetta Stone's mark had become famous before Google began using it, "we are not limited to evaluation of the grounds offered by the district court to support its decision ... [and] may affirm on any grounds apparent from the record." *Pitt Cnty. v. Hotels.com, L.P.,* 553 F.3d 308, 311 (4th Cir.2009) (internal quotation marks omitted). Accordingly, we consider Google's argument that Rosetta Stone's marks were not famous in 2004 when Google allegedly began using the mark in commerce.

Under the statute, "a mark is famous if it is widely recognized by the general consuming public of the United States as a designation of source of the goods or services of the mark's owner." 15 U.S.C. § 1125(c)(2)(A). This is not an easy standard to achieve. "[C]ourts agree that a mark must be truly prominent and renowned to be granted the extraordinary scope of exclusive rights created by the Federal Antidilution Act." 4 McCarthy § 24:104. "Because protection from dilution comes close to being a 'right in gross,' ... the FTDA extends dilution protection only to those whose mark is a 'household name.' " *Nissan Motor Co. v. Nissan Computer Corp.,* 378 F.3d 1002, 1011 (9th Cir.2004).

[28] Additionally, for § 1125(c)(1) to apply, the defendant must have "commence[d]" a diluting use of the plaintiff's mark *after* the point at which the mark became famous. The policy basis for this rule "reflects the fair and equitable principle that one should not be liable for dilution by the use of a mark which was legal when first used." 4 McCarthy § 24:103. Professor McCarthy explains as follows:

> [I]f at the time of first use, Zeta's mark did not dilute Alpha's mark because Alpha's mark was not then famous, Zeta's use will not at some future time become diluting and illegal solely because Alpha's mark later became "famous." That is, Alpha will not at some future time have a federal dilution claim against Zeta's mark. Thus, the junior user must be proven to have first used its mark after the time that plaintiff's mark achieved fame....
>
> ***172** This rule is modeled after that applied in traditional confusion cases where the plaintiff must prove secondary meaning. In those cases, the senior user must prove that secondary meaning in its mark was established prior to the junior user's first use....

4 McCarthy § 24:103 (footnote omitted). Stated differently, the defendant's first diluting use of a famous mark "fixes the time by which famousness is to be measured" for purposes of the FTDA. *Nissan Motor Co.,* 378 F.3d at 1013.

The district court concluded that "Rosetta Stone Marks are famous and have been since at least 2009, when Rosetta Stone's brand awareness reached 75%." *Rosetta Stone,* 730 F.Supp.2d at 550. The court explained that "[t]he Marks need not have been famous when Google revised its trademark policy in 2004. Instead, Rosetta Stone must only show that at any time after its Marks became famous, Google began using a mark or trade name in commerce that was likely to cause dilution of the Rosetta Stone Marks." *Id.*

According to Google, however, even if ROSETTA STONE had become a famous brand by 2009, it was not famous when Google began its alleged facilitation of the use of ROSETTA STONE in 2004. Indeed, Rosetta Stone alleges in its Complaint that the use of ROSETTA STONE and other trademarks as keywords in Google's AdWords program "lessen[ed] the capacity of Rosetta Stone's famous and distinctive ... Marks to distinguish Rosetta Stone's products and services from those of others, and has diluted the distinctive quality" of the marks. J.A. 56. The use of Rosetta Stone's mark as a keyword trigger began at least as early as 2004. Google points to survey evidence reflecting that, in 2005, two percent of the general population of Internet users recognized ROSETTA STONE without being prompted while 13 percent recognized ROSETTA STONE with prompting.

In response, Rosetta Stone argues that Google first began permitting the use of Rosetta Stone's mark in sponsored ad text in 2009, by which time it had become famous. Thus, Rosetta Stone's position is that the phrase "commences use" in § 1125(c)(1) refers to any diluting use in commerce, not merely the first. This argument, of course, undercuts Rosetta Stone's own Complaint, which clearly asserts that Google diluted Rosetta Stone's mark beginning in 2004 by permitting the use of trademarks such as ROSETTA STONE as keyword triggers. Rosetta Stone asks us to ignore this alleged diluting use for purposes of § 1125(c)(1). The statute does not permit the owner of a famous mark to pick and choose which diluting use counts for purposes of § 1125(c)(1). *See Nissan Motor Co.,* 378 F.3d at 1013 ("If ... first use for purposes of § 1125(c) turned on whatever use the mark's owner finds particularly objectionable, owners of famous marks would have the authority to decide when an allegedly diluting use was objectionable, regardless of when the party accused of diluting first began to use the mark."). The fame of Rosetta Stone's mark, therefore, should be measured from 2004, when Rosetta Stone alleges Google's diluting use of its mark began.

Alternatively, Rosetta Stone suggests that it produced evidence showing that its mark was famous in 2004. It is, however, unclear from the voluminous record precisely which evidence reflects ROSETTA STONE's fame in 2004, and we think the better course is for the district court to handle this fact-intensive question of when Rosetta Stone's mark became famous in the first instance, particularly since other facets of the dilution claim will be reconsidered on remand. Thus, on remand, the ***173** district court should reconsider whether ROSETTA

STONE was a famous mark for purposes of its dilution claim against Google. That will require the court first to determine when Google made its first ostensibly diluting use of the mark. Second, the court must decide whether Rosetta Stone's mark was famous at that point. In making the latter determination, the district court should assess fame in light of the relevant statutory factors, *see* 15 U.S.C. § 1125(c)(2)(A), as well as the strong showing required to establish fame under this statute, *see, e.g., I.P. Lund Trading ApS v. Kohler Co.,* 163 F.3d 27, 46 (1st Cir.1998) (explaining that to satisfy the famousness requirement, "a mark had to be truly prominent and renowned" (internal quotation marks omitted)).

VII. Conclusion

For the foregoing reasons, we affirm the district court's order with respect to the vicarious infringement and unjust enrichment claims. We vacate, however, the district court's order with respect to Rosetta Stone's direct infringement, contributory infringement and dilution claims, and we remand the case for further proceedings on those three claims.

AFFIRMED IN PART, VACATED IN PART, AND REMANDED

All Citations

676 F.3d 144, 102 U.S.P.Q.2d 1473

Footnotes

1 The actual Rosetta Stone, discovered in 1799, is a granite stele bearing a royal Egyptian decree etched in three languages: Greek, hieroglyphic, and demotic. The discovery of this stone became the "key to the deciphering of Egyptian hieroglyphics." Barbara Green, *Cracking the Code: Interpreting and Enforcing the Appellate Court's Decision and Mandate,* 32 Stet. L.Rev. 393, 393 (2003) (internal quotation marks omitted). The term "Rosetta Stone" has become somewhat of a common metaphor for anything that provides the means for solving a difficult problem or understanding a code.

2 Rosetta Stone conducted a brand equity study in February 2009 showing a substantial gap in actual recognition of the Rosetta Stone mark and the closest competing brand. When asked to identify without prompting "all brand names that come to mind when you think of language learning," almost 45% of the respondents were able to recall "Rosetta Stone," while only about 6% thought of "Berlitz," the second-place finisher. J.A. 2288. When prompted, 74% indicated they had heard of Rosetta Stone language products. Berlitz, again the closest competitor, was familiar to only 23% of the respondents when prompted.

3 This automated tool checks the "landing page"—*i.e.,* the page linked to the ad referring to the trademark—and determines whether the page uses the trademark prominently; whether the page contains commercial information suggesting the sponsor is a reseller; and whether the landing page is a review site.

4 We note, however, that Google, in its memorandum filed in support of its motion for summary judgment, argued that it had not "used" Rosetta Stone's marks as contemplated by 15 U.S.C. § 1114(a), but rather had merely sold advertising space to others who were "using" the mark. J.A. 4103. And, we see nothing in the hearing transcript suggesting that Google conceded that it "used" the mark "in commerce" and "in connection with the sale, offering for sale, distribution, or advertising of any goods or services." 15 U.S.C. § 1114(1)(a). Since it is not an issue in this appeal, we express no opinion today as to whether Google "used" these marks as contemplated by the Lanham Act. *See, e.g., Rescuecom Corp. v. Google Inc.,* 562 F.3d 123, 129–31 (2d Cir.2009) (holding that Google's auctioning of trademarks qualifies as a "use in commerce").

5 We reject Rosetta Stone's contention that it is entitled to a presumption of confusion on the infringement claim and that the district court erred in failing to afford such a presumption. In this circuit, "a presumption of likelihood of consumer confusion" arises from the "intentional copying" of plaintiff's trade dress or trademark by a defendant. *See, e.g., Osem Food Indus. Ltd. v. Sherwood Foods, Inc.,* 917 F.2d 161, 164 (4th Cir.1990); *Shakespeare Co. v. Silstar Corp. of Am., Inc.,* 110 F.3d 234, 239 (4th Cir.1997). The "presumption arises only when the copier *inten[ds] to exploit the good will* created by an already registered trademark." *Shakespeare,* 110 F.3d at 239 (internal quotation marks omitted). Thus, where "one produces counterfeit goods in an apparent attempt to capitalize upon the popularity of, and demand for, another's product, there is a presumption of a likelihood of confusion." *Polo Fashions, Inc. v. Craftex, Inc.,* 816 F.2d 145,

148 (4th Cir.1987). We apply such a presumption because "one who tries to deceive the public should hardly be allowed to prove that the public has not in fact been deceived." *Shakespeare,* 110 F.3d at 239. Here, however, there is absolutely no evidence that Google intentionally copied or adopted Rosetta Stone's mark in an effort to pass off its own goods or services under the ROSETTA STONE mark.

6 Elaborating on the idea that the functionality doctrine keeps trademark law from "inhibiting legitimate competition by allowing a producer to control a useful product feature," *Qualitex Co. v. Jacobson Prods. Co.,* 514 U.S. 159, 164, 115 S.Ct. 1300, 131 L.Ed.2d 248 (1995), the Supreme Court noted that if a feature is functional, "exclusive use ... would put competitors at a significant nonreputation-related disadvantage," *id.* at 165, 115 S.Ct. 1300. However, "[w]here the design is functional under the *Inwood* formulation there is no need to proceed further to consider if there is a competitive necessity for the feature." *TrafFix Devices, Inc. v. Marketing Displays, Inc.,* 532 U.S. 23, 33, 121 S.Ct. 1255, 149 L.Ed.2d 164 (2001).

7 eBay maintained a "Verified Rights Owner ('VeRO') Program," which allowed trademark owners to report potentially infringing items so that eBay could remove the associated listings. *See Tiffany (NJ) Inc. v. eBay Inc.,* 600 F.3d 93, 99 (2d Cir.2010). The district court found that the trial evidence showed eBay promptly removed challenged listings from its website. *See id.* at 106.

8 On appeal, Rosetta Stone clarified that its unjust enrichment claim arises from Google's business practice of selling trademarks as keywords that trigger the display of sponsored links rather than the content of the sponsored links. In light of our conclusion that Rosetta Stone failed to state an unjust enrichment claim as to the use of its marks as keywords, we need not address the district court's alternative holding that, to the extent advertisers used Rosetta Stone's marks in the *text* of their ads, Google was entitled to "immunity" under the Communications Decency Act "because Google is no more than an interactive computer service provider and cannot be liable for the actions of third party advertisers." *Rosetta Stone Ltd. v. Google Inc.,* 732 F.Supp.2d 628, 632 (E.D.Va.2010) (footnote omitted); *see* 47 U.S.C. § 230(c)(1) ("No provider or user of an interactive computer service shall be treated as the publisher or speaker of any information provided by another information content provider.").

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EXHIBIT 14

2016 WL 527055
Only the Westlaw citation is currently available.
United States District Court,
D. Utah, Central Division.

SanMedica International, LLC, a Utah limited liability company; Western Holdings, LLC, a Nevada limited liability company, Plaintiffs,
v.
Amazon.com, Inc., a Delaware corporation, Defendant.

Case No. 2:13–cv–00169–DN
|
Signed March 27, 2015
|
Filed January 20, 2016

Attorneys and Law Firms

Demarcus Montrel Key, Alex City, AL, pro se.

MEMORANDUM DECISION AND ORDER

David Nuffer, United States District Judge

***1** Presently pending are the parties' cross-motions for summary judgment filed on July 21, 2014.[1] For the reasons set for below, after reviewing the parties' memoranda, the undisputed facts and the relevant legal authorities, Amazon's motion for summary judgment is hereby GRANTED in part and DENIED in part, and Plaintiffs' motion for partial summary judgment is DENIED. Oral argument is unnecessary.[2]

BACKGROUND

Plaintiff Western Holdings, LLC ("Western Holdings") owns the trademark for SeroVital, a dietary supplement that promotes the human body's natural production of serum human growth hormone levels. Plaintiff SanMedica International, LLC ("SanMedica") has a license to use the SeroVital trademark. Starting November 15, 2012, SanMedica offered SeroVital for sale on Amazon.com

("Amazon"). On or about December 12, 2012, Amazon removed the SeroVital product from the Amazon marketplace for a policy violation. Although SeroVital was no longer available for purchase on the Amazon marketplace, Amazon's internal bidding system (Hydra) continued to bid on the word SeroVital with search engines, such as Google, Bing, and Yahoo. Consequently, Hydra generated and published ads on the search engines when consumers searched for SeroVital. The sponsored ads represented that SeroVital could be purchased at Amazon. These sponsored ads continued to appear through September 9, 2013.

***2** On March 6, 2013, Plaintiffs filed a Complaint [3] against Amazon. Plaintiffs subsequently filed an Amended Complaint [4] on September 3, 2013, which sets forth causes of action for: (1) trademark infringement under the Lanham Act; (2) unfair competition based on false representation in violation of Lanham Act *15 U.S.C. § 1125(a)(1)(A)* ; (3) unjust enrichment; (4) injunctive relief; (5) declaratory relief; and (6) violation of the Utah Truth in Advertising Act [5] ("UTAA").

Amazon has moved for summary judgment on Plaintiffs' trademark infringement, unfair competition based on false representation, unjust enrichment, and UTAA claims. [6] Amazon contends that summary judgment should be granted in its favor on the above claims because Plaintiffs cannot show any likelihood of confusion resulting from Amazon's use of the SeroVital mark. [7] "Alternatively, Amazon asks the Court to enter judgment in favor of Amazon on Plaintiffs' claim to actual damages, and also decide the maximum allowable statutory damages under the ... [UTAA]." [8] Plaintiffs' cross-move for partial summary judgment on their claims for trademark infringement, unfair competition based on false representation, violation of the UTAA, and injunctive relief. [9]

STANDARD OF REVIEW

"The court shall grant summary judgment if the movant shows that there is no genuine dispute as to any material fact and the movant is entitled to judgment as a matter of law." [10] When analyzing a motion for summary judgment, the court must "view the evidence and draw all reasonable inferences therefrom in the light most favorable to the party opposing summary judgment." [11] However, "the nonmoving party must present more than a scintilla of evidence in favor of his position." [12] A dispute is genuine only "if the evidence is such that a reasonable jury could return a verdict for the nonmoving party." [13] "The fact that the parties have filed crossmotions for summary judgment does not affect the applicable standard." [14]

UNDISPUTED MATERIAL FACTS

The following material facts are mostly undisputed in the briefing, but where facts offered were disputed, those disputes have been removed by editing and only the undisputed portions remain. Some minor edits and consolidations have been made to improve readability without changing meaning.

1. Western Holdings is a limited liability company organized and existing under the laws of the state of Nevada. Western Holdings owns the trademark for Sero Vital. [15]

***3** 2. The SeroVital trademark was first used in interstate commerce on September 14, 2012. An application for registration of that trademark was filed in the United States Patent and Trademark Office (the "USPTO") on March 5, 2012. The trademark was published for opposition by the USPTO on December 18, 2012. And on May 21, 2013, the USPTO issued a certificate of trademark registration to Western for SeroVital. Reg. No. 4,339,758. [16]

3. Western Holding licenses the use of its trademark to SanMedica. [17]

4. SanMedica is a limited liability company organized and existing under the laws of the State of Utah, with its principal place of business in Salt Lake City, Utah. [18]

5. Hydra is:

> Amazon's internal bidding system ... that automatically generates and evaluates paid advertisements on search engines such as Google, Yahoo or *Bing.* [Redacted]

[Redacted]

[Redacted] [19]

6. Amazon (AMZN00000015) describes the four components of a sponsored links ad generated by Hydra as:

[Redacted]

[Redacted]

[Redacted] [20]

7. SeroVital was offered for sale on the Amazon Marketplace on or about November 15, 2012.

8. Hydra identified the word "SeroVital" beginning on or about November 15, 2012 ... and consequently, Hydra bid on the word SeroVital with Google, Bing, and Yahoo. Thereafter, Hydra generated and published [21] ads when consumers searched for "SeroVital" or "SeroVital hgh" on Google, Bing, and Yahoo, with the following language: [22]

Serovital at Amazon.com–Qualified orders over S25 ship free. Buy Serovital at Amazon!

www.Amazon.com

and

Serovital-hgh at Amazon—Qualified orders over $25 shin free. Buy Serovital-hgh at Amazon!

www.Amazon.com

9. Hydra's [sponsored] ads ... claiming SeroVital was for sale on Amazon were consistent with the four components described in AMZN00000015, and helped Amazon attract customers to its website. [23]

10. Amazon removed the Sero Vital product from the Amazon Marketplace for a policy violation on or about December 12, 2012. [24]

11. Amazon "stop-listed" the keyword "SeroVital" from use in its sponsored ads published by search engines on desktop computers on March 15, 2013. [25] But some ads continued to appear through September 9, 2013. [26]

12. From December 13, 2012 through at least September 9, 2013 ("Advertising Period"), Amazon's sponsored ads [for SeroVital] continued to be published when consumers searched for "SeroVital" or "SeroVital hgh" on Google, Yahoo, and Bing. [27]

***4** 13. During the Advertising Period, Hydra generated over 319,000 sponsored ads. There were 35,000 clicks on the sponsored ads. Of those who entered Amazon's store during the Advertising Period, 962 purchased some product other than SeroVital. [28]

14. Each ... ad ... represented that SeroVital was for sale and could be purchased on Amazon. But when a consumer clicked on the sponsored ad, it took him or her to a landing page on Amazon.com that contained offers for sale of other products, but not SeroVital. Other products included, at times, Original Forumula GH3, AminoGH, Secratatropin HGH, Genf20 Plus, Controlled Labs Blue Growth, Gerovital H3 Evolution, and HGH Complex. [29]

15. During the period when Amazon ran the accused ads, but SeroVital was unavailable in the Amazon Marketplace, users who clicked on the accused ads were taken to pages at Amazon.com that did not show SeroVital. Rather, other products appeared, which were clearly labeled and were not represented by Amazon or third-party sellers to be SeroVital. [30]

16. There is no evidence of actual confusion resulting from Amazon's use of the SERO VITAL mark. [31]

17. In all ads in which it used the SERO VITAL mark, ... [it was] clear that the ad was placed by Amazon, and the stated URL disclosed that clicking on the ad would take the user to Amazon.com. [32]

18. On January 28, 2013, SanMedica sent a written notice to the Registered Agent for Amazon.com, Inc., pursuant to the ... [UTAA], [33] giving notice to Amazon that it was in violation of the provisions of the UTAA by using deceptive, misleading, and false advertising practices relating to the purported sale of SeroVital on Amazon's website. As required by the UTAA, Plaintiff's notice

demanded that Amazon, within 10 days of receipt of said notice: (a) remove all advertisements on the internet that advertise, offer, state, or imply in any way that Amazon carries or offers for sale SeroVtal; (b) promulgate a correction notice with the same search engine providers containing the deceptive advertisements that states that SeroVital is not offered for sale by Amazon; and (c) send written proof of its compliance with the demand to Plaintiffs within the 10–day period. [34]

19. Amazon has failed to provide proof that it has complied in a timely manner with the demands of the notice. And after the filing of the original complaint on March 6, 2013, Amazon continued for approximately six months, until September 2013, to ... advertise SeroVital for sale ... by using that trademark in advertisements placed through search engine providers. [35]

20. After Amazon removed Sero Vital from Amazon.com, Amazon sold [Redacted] in various goods and services who arrived at Amazon.com by clicking on an accused ad. [36]

ANALYSIS

Summary Judgment on Plaintiffs' Trademark Infringement Claim under *§ 32* of the Lanham Act, codified as *15 U.S.C § 1114* is Inappropriate

***5** Plaintiffs' first cause of action is for trademark infringement pursuant to § 1114(1)(a) of the Lanham Act. *Section 1114(1)(a)* allows the owner of a registered mark to bring an infringement action against any person who "*use[s]* in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with *which* such use *is likely to cause confusion,* or to cause mistake, or to deceive...." [37] In order to establish a claim of trademark infringement under *§ 1114(1)(a)* of the Lanham Act, four elements must be established: (1) the mark is valid and legally protected; (2) the mark is owned by the plaintiff; (3) the defendant used the trademark in commerce without consent; and (4) defendant's use of the trademark will create the likelihood of confusion. [38]

In the present case, there is no dispute that the mark is valid and legally protected. The SeroVital mark is registered with the United States Patent and Trademark Office.

There is also no dispute that Western Holdings is the registered owner of the mark.

The third element requires unauthorized use of the mark in commerce. Amazon contends that Plaintiffs gave it a license to use the mark when they listed the product for sale on Amazon.com. [39] Amazon claims that *§ 4* of the "Amazon Services Business Solutions Agreement dated November 2, 2012, grant[s] Amazon a 'royalty-free, non-exclusive, worldwide, perpetual, irrevocable right and license to use' materials and trademark related to product sold on the Amazon site[.]" [40] And "[t]he terms of the license allowed Amazon to use the SeroVital mark in advertisements unless and until Plaintiffs asked Amazon to discontinue certain uses." [41]

Plaintiffs take issue with the document. Plaintiffs argue, among other things, that "[t]here is no explanation who, if anyone, signed the document, or in what capacity, and for what product.... Thus, there is no evidentiary foundation for its introduction or use." [42]

The third element has been met. It is undisputed that on January 28, 2013, Plaintiffs notified Amazon about the issue and demanded that Amazon discontinue using Plaintiffs' trademark. Amazon has not shown that it had a license to use the trademark after it was notified to discontinue the use of the trademark on January 28, 2013.

The only remaining factor to consider is whether Amazon's use of Plaintiffs' mark likely caused consumer confusion. "The Lanham Act is intended 'to protect the ability of consumers to distinguish among competing producers,' not to prevent all unauthorized uses." [43] Consequently, in order to constitute trademark infringement, the party alleging infringement has the burden of proving likelihood of confusion from the unauthorized use of the trademark. [44]

The Tenth Circuit has recognized three types of confusion: direct confusion, indirect confusion, and initial interest confusion. [45] The type of confusion alleged by Plaintiffs is initial interest confusion. [46] "Initial-interest confusion 'results when a consumer seeks a particular trademark holder's product and instead is lured to the product of a competitor by the competitor's use of the same or a similar mark.' " [47] "As the name implies, the improper confusion occurs even if the consumer becomes aware of the defendant's actual identity before purchasing the product." [48] A court, however "cannot simply assume a likelihood of initial interest confusion, even if it suspects it," as the "proponent of such a theory must prove it." [49] Initial interest confusion is evaluated according to the six-prong test announced in *King of the Mountain Sports Inc. v. Chrysler Corp.* [50] "These factors are not exhaustive. And they should not be applied mechanically; some factors may carry far more weight than others depending on the circumstances." [51] The factors are:

***6** (a) the degree of similarity between the marks;

(b) the intent of the alleged infringer in adopting its mark;

(c) evidence of actual confusion;

(d) the relation in use and the manner of marketing between the goods or services marketed by the competing parties;

(e) the degree of care likely to be exercised by purchasers; and

(f) the strength or weakness of the marks. [52]

"Likelihood of confusion is ordinarily a question of fact for the jury, but summary judgment is appropriate if no reasonable juror could find that such a likelihood exists." [53] Accordingly, the *King of the Mountain* factors apply to Plaintiffs' trademark infringement claim and are analyzed separately below.

The Degree of Similarity of the Marks

Similarity between marks is tested on the levels of sight, sound, and meaning. [54] The issue in the present case is not that Amazon is using a mark of its own which has a strong likeness to SeroVital, instead, this case concerns the use of Plaintiffs' exact mark in advertisements sponsored by Amazon. The marks, therefore, are identical. This factor weighs in favor of finding of likelihood of confusion.

The Intent of the Alleged Infringer in Adopting its Mark

Under this factor, the focus is on "whether defendant[s] had the intent to derive benefit from the reputation or goodwill of plaintiff[s]." [55] Amazon argues it had no intent to derive benefit from the reputation or goodwill of Plaintiffs because the product violated its Drugs, Drug Paraphernalia & Dietary Supplements policy and Amazon considered the product objectionable and dangerous. [56] Plaintiffs argue that an inference or a presumption of likelihood of confusion is established because the mark was not chosen randomly or by accident; instead, Amazon, through its Hydra program, intentionally chose to create ads representing SeroVital for sale. [57]

***7** "Evidence that the alleged infringer chose a mark with the intent to copy, rather than randomly or by accident, typically supports an inference of likelihood of confusion." [58] "Conversely, if the evidence indicates a defendant did not intend to derive benefit from a plaintiff's existing mark, this factor weighs against the likelihood of confusion." [59] Accordingly, "[t]he proper focus under this factor is whether defendant had the intent to derive benefit from the reputation or goodwill of plaintiff" [60]

There is a dispute of fact whether Amazon intended to use the mark after it banned the sale of SeroVital, and also whether Amazon intended to derive benefit from the reputation or goodwill from the mark. Accordingly, Amazon's intent is a disputed fact that cannot be determined as a matter of law.

Evidence of Actual Confusion

It is undisputed that there is no evidence of actual confusion. [61] This factor weighs against a finding of likelihood of confusion.

The Relation in Use and the Manner of Marketing Between the Goods or Services Marketed by the Competing Parties

This fourth factor is generally analyzed by "separately considering (1) the similarity of products and (2) the similarity in the manner of marketing the products." [62] " 'The greater the similarity between the products ...

the greater the likelihood of confusion.' "[63] The similarity of the products, to some degree, weighs in Plaintiffs' favor because Amazon offers for sale products that are somewhat similar to SeroVital. Evidence has been presented that once a consumer clicked on the SeroVital sponsored ad, the consumer was taken to an Amazon's landing page that contained offers for sale of products, such as, Original Forumula GH3, AminoGH, Secratatropin HGH, Genf20 Plus, Controlled Labs Blue Growth, Gerovital H3 Evolution, and HGH Complex.

As to the similarity in the manner of marketing, both companies market their products online. Amazon contends that initial interest confusion is unlikely given the context of the online ads and Amazon's clear identification as the source of the advertisement. Although Amazon's sponsored ads identified Amazon as the source of advertisement, the ads stated that SeroVital was available on Amazon. Therefore, the language of the sponsored ads could have caused initial-interest confusion; that is, consumers being lured to Amazon with the expectation of SeroVital being available for purchase on the Amazon marketplace. This factor weighs in Plaintiffs' favor.

The Degree of Care Likely to be Exercised by Purchasers

"A consumer exercising a high degree of care in selecting a product reduces the likelihood of confusion.... The relevant inquiry focuses on the consumer's degree of care exercised at the time of purchase."[64] Amazon argues that purchasers will not be confused because internet shoppers are sophisticated and "[s]hopping for specialized or costly goods—such as an expensive dietary supplement that claims to promote the human body's generation of a powerful substance like human growth hormone—involves a high level of care by consumers. [65]

***8** Consumers of such a product are likely to exercise a moderate to high degree of care and deliberate much more about the purchase, which weighs against a finding of likelihood of confusion. However, having potentially been misled into an initial interest, a potential SeroVital consumer may satisfy him or herself that the other related products on Amazon's landing page are at least as good as the SeroVital product. [66] Amazon's reputation for helpful recommendations may work here to its detriment. Amazon's ad, therefore, may have impermissibly capitalized on the goodwill associated with the mark. There are triable issues as to this factor.

The Strength or Weakness of the Marks

"To assess the relative strength of a mark, one must consider the two aspects of strength: (1) 'Conceptual Strength: the placement of the mark on the [distinctiveness or fanciful-suggestive-descriptive] spectrum;' and (2) 'Commercial Strength: the marketplace recognition value of the mark.' "[67] "Under the conceptual strength prong, the categories, in descending order of strength, are: fanciful; arbitrary; suggestive; descriptive; and generic."[68] Neither party has addressed this particular factor. However, it seems that SeroVital falls under the fanciful mark definition of a "coined word[ ] that ... [has] been invented or selected for the sole purpose of functioning as a trademark."[69] Also, it seems likely that the mark has great commercial strength, as the evidence shows that in less than a one year period, Hydra generated over 319,000 sponsored ads, which resulted in approximately 35,000 clicks on the sponsored ads.

Other Relevant Factors

"[O]ther factors may be considered, and the weight of any given factor can depend very much on context."[70] *1–800 Contacts* is instructive in the particular circumstances of this case. *1–800 Contacts* dealt with initial-interest confusion. The Tenth Circuit applied initial-interest confusion to the facts of the case:

> [A] consumer enters a query for '1–800 Contacts' on Google; sees a screen with an ad for Lens.com that is generated because of Lens.com's purchase of one of the nine Challenged Keywords; becomes confused about whether Lens.com is the same source as, or is affiliated with, 1–800; and therefore clicks on the Lens.com ad to view the site. Lens.com has exploited its use of 1–800's mark to lure the confused consumer to its website. [71]

In determining whether Lens.com's keyword activity was likely to lure the confused consumer to its website, the court focused on the AdWords data evidence which set "an upper limit on how often consumers really were lured in such fashion." [72] The data revealed "that initial-interest confusion occurred at most 1.5% of the time[.]" [73] The court concluded that such a low number "cannot support an inference that Lens.com's keyword activity was likely to Ture[ ]' consumers away from 1–800." [74]

In the present case, there is similar evidence setting an upper limit on how often consumers were lured to Amazon's website by clicking on the sponsored ads. It is undisputed that during the Advertising Period, approximately 319,000 sponsored ads were generated. Out of those, there were approximately 35,000 clicks on the sponsored ads. The click to impression rate of the sponsored ads is approximately 11 percent. This rate sets the "upper limit on how often consumers really were lured in such a fashion." Amazon contends that of the "35,253 users that clicked on the ads for SeroVital, only 984 made any purchase at Amazon.com, a measly 3 percent." [75] Although consumer purchases constitute three percent, the focus is not on the purchase rate but instead on the 11 percent rate that consumers were lured to Amazon's website. Eleven percent, although a relative small number, is not so insufficient to suggest that there was no likelihood of confusion.

***9** In weighing the *King of the Mountain* factors above, initial-interest confusion is a close decision. Though summary judgment is appropriate on the issue of likelihood of confusion in appropriate cases, this is not such a case. A rational fact-finder could find in favor of either party on this issue—especially given the uncertainty surrounding the intent and degree of care prongs. Amazon's and Plaintiffs' cross-motions for summary judgment on Plaintiffs' trademark infringement claim under *§ 1114(1)(a)* are DENIED.

Summary Judgment is Granted in Favor of Amazon as to Plaintiffs' Trademark Infringement Claim under § 43(a) *of the Lanham Act, codified as 15 USC § 1125(a)*

Section 1125(a) is a broad federal unfair competition provision. It creates a federal cause of action against:

> (1) Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which—
>
> (A) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person, or
>
> (B) in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person's goods, services, or commercial activities,
>
> shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act. [76]

Section 43(a) may be violated by a range of conduct. Plaintiffs style their second cause of action as an "unfair competition by false representation in violation of Lanham Act *15 U.S.C. § 1125(a)(1)(A)*." This subsection is generally referred to as the trademark infringement prong or false designation of origin theory of recovery. [77] In order to establish a claim for trademark infringement under *§ 1125(a)(1)(A)*, the following elements must be established: (1) that the plaintiff has a protectable interest in the mark; (2) that the defendant has used 'an identical or similar mark' in commerce, and (3) that the defendant's use is likely to confuse consumers." [78] Notably, an infringement claim under *§ 1125(a)(1)(A)* has nearly identical elements to an infringement claim under *§ 1114(1)(a)*. [79] Although Plaintiffs have specifically designated their second cause of action under *§ 1125(a)(1)(A)*, they instead request summary judgment relief on a false advertising claim. [80] A false advertising claim falls under *§ 1125(a)(1)(B)* of the Lanham Act. In order to prevail on a false advertising claim, Plaintiffs must proof that

> (1) [Amazon] made a false or misleading description of fact or representation of fact in a commercial advertisement about [its] own or another's product; (2) the misrepresentation is material, in that it is likely to influence the purchasing decision; (3) the

> misrepresentation actually deceives or has the tendency to deceive a substantial segment of its audience; (4) [Amazon] placed the false or misleading statement in interstate commerce; and (5) [Plaintiffs] ha[ve] been or ... [are] likely to be injured as a result of the misrepresentation, either by direct diversion of sales or by a lessening of goodwill associated with its products. [81]

***10** Amazon argues that Plaintiffs' false advertising theory is untimely. "Amazon understood throughout this litigation that Plaintiffs are only asserting a claim under *§ 1125(a)(1)(A)*." [82] Amazon contends that "[i]t would be fundamentally unfair to allow Plaintiffs to interject this new claim at the end of the case, after the close of discovery and after the dispositive motions cutoff. Amazon would be prejudiced because, among other reasons, it has not had the benefit of conducting discovery into the bases for this claim." [83] Plaintiffs state that even if they "have not technically designated their Second Claim for Relief as 'False Advertising' under *§ 1125(a)(1)(B),* Plaintiffs have put Defendant on notice through its pleadings in its Amended Complaint ... paras. 42 through 47, that Defendant has made false representations likely to cause confusion stemming from Defendant's unlawful bait advertising." [84]

Plaintiffs' allegations in paragraphs 42 through 47 of their Amended Complaint state:

> 42. Defendant has without authorization, on or in connection with the promotion and sale of its goods in interstate commerce, made or contributed to the making of representations of fact that are false and misleading which are likely to cause confusion, or to cause mistake, or to deceive purchasers and potential purchasers into believing that Plaintiffs' product, Sero[V]ital, is available for purchase from Defendant.
>
> 43. Defendant's acts constitute unfair competition and are misleading representations of facts.
>
> 42. Upon information and belief, Defendant's acts of unfair competition and misrepresentations have led to, among other things, initial interest confusion in consumers stemming from Defendant's "bait and switch" practices.
>
> 45. Upon information and belief, Defendant's acts of unfair competition and misrepresentations have deceived and, unless restrained, will continue to deceive the public, including consumers and retailers, and have injured and unless constrained will continue to injure Plaintiffs and the public, including consumers and retailers, causing damages to Plaintiffs in an amount to be determined at trial and other irreparable injury to the goodwill and reputation of Plaintiff and its product, Sero[V]ital.
>
> 46. Upon information and belief, Defendant's acts of unfair competition are willful, intentional and egregious and make this an exceptional case within the meaning of 15. U.S.C. *§ 1117(a)*. entitling Plaintiffs to attorney's fees.
>
> 47. Plaintiffs have no adequate remedy at law to compensate them for all the damages the Defendant's wrongful acts have and will cause. [85]

"As a general rule, a plaintiff should not be prevented from pursuing a valid claim just because ... [it] did not set forth in the complaint a theory on which ... [it] could recover, 'provided always that a late shift in the thrust of the case will not prejudice the other party in maintaining his defense upon the merits.'" [86] "The purpose of 'fact pleading,' as provided by *Fed.R.Civ.P. 8(a)(2)*. is to give the defendant fair notice of the claims against him without requiring the plaintiff to have every legal theory or fact developed in detail before the complaint is filed and the parties have opportunity for discovery." [87] Although Amazon contends that it has not had the benefit of conducting discovery into the bases for the false advertising theory and will suffer prejudice if Plaintiffs' theory is considered, Amazon does not state what, if any, additional discovery would be needed and how it might affect the outcome of the pending crossmotions for summary judgment. Prejudice seems particularly unlikely here, as Amazon has responded to the merits of Plaintiffs' false advertising claim. Accordingly, Plaintiffs' false advertising theory will be considered.

***11** Plaintiffs' false advertising claim, however, fails on the merits. Specifically, Plaintiffs have failed to present evidence that Amazon's misrepresentation was material—that the misrepresentation likely influenced consumers purchasing decisions. Failure to establish any element of a prima face case for false advertising is fatal to Plaintiffs' false advertising claim and makes it unnecessary to examine the other elements.[88] Plaintiffs contend that "the literally false nature of Amazon's ads do not require a showing of materiality."[89] This is incorrect. The Tenth Circuit has stated that materiality of the misrepresentation is a required element for a false advertising claim.[90] Plaintiffs also argue that "the advertisements of Amazon were material on their face."[91] More specifically, Plaintiffs state that "[p]art of the purchaser's decision is *where* one purchases the product. People shop Amazon because of the vibrant Marketplace. These essential facts regarding the nature and reputation of Amazon, and promises of the ad, on their face are likely to influence the purchasing decisions of consumers."[92]

In the present case, Amazon's misrepresentation was that consumers could purchase SeroVital on Amazon.com. But when consumers clicked on the sponsored ads, they were taken to a landing page that did not contain for sale any SeroVital products. Amazon's misrepresentation thus related to the marketing of the product, that is, the channel through which a consumer may purchase the product. Amazon's misrepresentation did not discuss the quality or characteristics of SeroVital which could potentially affect consumers' purchasing decisions.[93] Under the undisputed facts on this motion, no reasonable jury could find that Amazon's misrepresentation likely influenced a consumer's purchasing decision.[94] Because Plaintiffs bear the burden of proof at trial as to each essential elements of their false advertising claim, and have failed to present any evidence on the materiality element, Plaintiffs' summary judgment on their false advertising claim is denied. Summary judgment is appropriate in Amazon's favor as to Plaintiffs' false advertising claim.

Summary Judgment on Plaintiffs Utah Truth in Advertising Act Claim is Inappropriate

Plaintiffs argue that Amazon has violated the UTAA by using deceptive, misleading, and false advertising practices relating to the sale of SeroVital on Amazon's website. The stated legislative purpose of the UTAA "is to prevent deceptive, misleading, and false advertising practices and forms in Utah."[95] Further, the UTAA "is to be construed to accomplish that purpose and not to prohibit any particular form of advertising so long as it is truthful and not otherwise misleading or deceptive."[96]

Plaintiffs bring their UTAA claims under *§ 13–11a–3(i) and (t)*.[97] These subsections state, in relevant part: "Deceptive trade practices occur when, in the course of a person's business, vocation, or occupation that person: ... (i) advertises goods or services or the price of goods and services with intent not to sell them as advertised ... or (t) engages in any other conduct which similarly creates a likelihood of confusion or a misunderstanding."[98] Plaintiffs seek both injunctive relief and damages pursuant to the UTAA. Amazon contends that Plaintiffs' motion for summary judgment on their UTAA claims must be denied under both subsections.

Utah Code Ann. § 13–11a–3(1)(i)

***12** Amazon, citing the official comments to the Uniform Deceptive Trade Practices Act ("UDTPA"), claims that subsection (i) "has historically referred to 'bait advertising,' which is 'a practice by which a seller seeks to attract customers through advertising at low prices products which he does not intend to sell in more than nominal amounts.' "[99] Amazon argues that "Plaintiffs do not contend that any of Amazon's advertisements were misleading with respect to the availability of Sero[V]ital at a certain price."[100] Amazon further states that "subsection (i) requires intent, yet the evidence in the record demonstrates that what triggered the advertisements was Plaintiffs' listing of SeroVital for sale on Amazon.com in contravention of Amazon's policies banning such products."[101] According to Amazon, "[i]t is not and has never been Amazon's intent to place advertisements for items that it does not offer on its website."[102]

Plaintiffs reply that "the language of the UTAA subsection 3(l)(i) is not identical to [section](9) of the UDTPA"[103] and "rather than referring to a comment from the 1966 UDTPA, the true intent of the Legislature should be determined from the UTAA's actual language."[104] Plaintiffs argue that "it is undisputed that Amazon repeatedly advertised, through its sponsored ads to each individual consumer entering a search on Google, Yahoo, or Bing, that SeroVital was available for sale on Amazon.com during the [Advertising Period] ... of almost 9 months, when Amazon had the stated intent not to sell SeroVital as advertised." [105]

The UDTPA's comment provides a narrow definition of "bait advertising." The crux of such advertising is that the offer to sell as contained in the advertisement is not a bona fide effort to sell the advertised product. Thus, bait advertising describes a range of commercial behaviors where the initial offer is insincere. The Code of Federal Regulations, Title 16 Commercial Practices, for example, defines bait advertising as

> an alluring but insincere offer to sell a product or service which the advertiser in truth does not intend or want to sell. Its purpose is to switch consumers from buying the advertised merchandise, in order to sell something else, usually at a higher price or on a basis more advantageous to the advertiser. The primary aim of a bait advertisement is to obtain leads as to persons interested in buying merchandise of the type so advertised. [106]

Accordingly, Amazon's sponsored ads for SeroVital fall within the definition of bait advertising. With this definition in mind, the remaining issue is whether Amazon advertised SeroVital "with *intent* not to sell ... as advertised." Amazon argues that "[i]t is not and has never been Amazon's intent to place advertisements for items that it does not offer on its website. When Amazon discovers Hydra has placed an advertisement using a trademark for a product it does not offer, it removes the trademark from that advertisement." [107] Plaintiffs contend that Amazon "had the stated intent not to sell SeroVital as advertised." [108] Accordingly, Amazon's intent to advertise the product after banning the product from its marketplace on December 13, 2012 is a disputed material fact that cannot be resolved on summary judgment. Amazon's and Plaintiffs' cross-motions for summary judgment on Plaintiffs' UTAA claim under to *§ 13–11a–3(1)(i)* are DENIED.

Utah Code Ann. § 13–11a–3(1)(t)

Section 13–11a–3(1)(f) is the catch-all provision of the UTAA. It states that a deceptive trade practice occurs when "[a] person engaged in any other conduct which similarly creates a likelihood of confusion or of misunderstanding." [109] UTAA does not provide a definition of or the factors to consider in determining "a likelihood of confusion or of misunderstanding" under the UTAA. The *King of the Mountain* factors, used to determine the likelihood of confusion under the Lanham Act, seem most appropriate under the present circumstances. As the factors have been discussed above, there is no need to reiterate the previous discussion. Summary judgment is not appropriate on the issue of the likelihood of confusion based on the present facts and the *King of the Mountain* factors. Accordingly, Amazon's and Plaintiffs' cross-motions for summary judgment on Plaintiffs' UTAA claim pursuant to 13–11a–3(1)(t) are DENIED.

Plaintiffs Are Not Entitled To Summary Judgment for a Permanent Injunction

***13** Plaintiffs move for a permanent injunction under the Lanham Act and UTAA. Specifically, "Plaintiffs request that this Court enjoin Amazon from using its Hydra program until and unless it is able to verify to the Court that it has eliminated from its program publication of advertisements about products, particularly those owned by Plaintiffs, that it does not sell on its website." [110] Amazon contends that a permanent injunction is not warranted because it has "long ago ceased its use of Plaintiffs' mark." [111] Amazon further argues that "Plaintiffs' requested injunction is overbroad. They seek to enjoin Amazon from using Hydra to generate advertisements for any products and in any capacity, whether Amazon sells those products or not." [112]

"It is well settled [that] an injunction must be narrowly tailored to remedy the harm shown." [113] "[A] district court's decision to issue or deny a permanent injunction [is reviewed] for an abuse of discretion." [114] "A district court abuses its discretion when it issues an arbitrary, capricious, whimsical, or manifestly unreasonable judgment." [115] Accordingly, whether or not a permanent injunction is ultimately granted against Amazon, the scope of the injunction must be narrowly tailored to remedy the harm, if any, suffered by Plaintiffs. Plaintiffs are not entitled to the broad injunctive relief they have requested.

Injunctive Relief Under § 1114(1)(a) of the Lanham Act

Under the Lanham Act, injunctive and other equitable relief may be granted to prevent further violations of a Plaintiff's trademark rights.[116] "For a party to obtain a permanent injunction, it must prove: (1) actual success on the merits; (2) irreparable harm unless the injunction is issued; (3) the threatened injury outweighs the harm that the injunction may cause the opposing party; and (4) the injunction, if issued, will not adversely affect the public interest."[117] At this juncture, the actual success on the merits element for injunctive relief has not been satisfied. Until the disputed factual matters concerning the likelihood of confusion with respect to Amazon's use of Plaintiffs' mark are resolved, a permanent injunction is inappropriate.

Injunctive Relief Under UTAA

Section 13–11a–4(2)(a) of UTAA states: "Any person ... may maintain an action to enjoin a continuance of any act in violation of this chapter.... If, in such action, the court finds that the defendant is violating or has violated any of the provisions of this chapter, it *shall* enjoin the defendant from continuance of the violation."[118] And "[i]t is not necessary that actual damages be proven."[119] Thus, "if a court finds that a defendant is violating or has violated ... [UTAA], the court is required, by the word 'shall,' to enjoin the defendant from further violations."[120] Plaintiffs' request for permanent injunction pursuant to UTAA is denied at this time because fact issues remain concerning Plaintiffs' entitlement to such relief.

Amazon is Entitled to Summary Judgment that Statutory Damages Under the UTAA Are Limited to a Single Award of $2,000

***14** Amazon asks for judgment in its favor on the maximum allowable statutory damages that can be awarded under the UTAA.[121] *Section 13–11a–4(2)(a)* states, in relevant part, that "[a]ny person ... may maintain an action to enjoin a continuance of any act in violation of this chapter and, if injured by the court, for the recovery of damages." Subsection (b) further states that "[i]n addition to injunctive relief, the plaintiff is entitled to recover from the defendant the amount of actual damages sustained or $2,000, whichever is greater."[122] Plaintiffs have indicated that they are pursing statutory damages under UTAA.[123] Plaintiffs argue that "[w]hen subsections (2)(a) and (2)(b) of *§ 13–11a–4* are read together, the plain language of the statute allows a plaintiff to seek injunctive relief and actual or statutory damages for any act in violation of the statute. Thus, statutory damages should be awarded for each violation of the UTAA."[124] That is, Plaintiffs interpret the section to allow a finding "that each separate publication of the offending ad and individual solicitation constitutes a separate deceptive trade practice, or, at a minimum, a violation occurs each time an individual consumer clicked on an offending ad in response to Amazon's individualized solicitation."[125] Plaintiffs contend that "[a]llowing Amazon to continue to publish customized ads in response to individuals searching for SeroVital for the sole purpose of driving more purchasers to its website, in exchange for payment of a mere $ 2,000, one-time fee, would be the equivalent of 'a kind of judicially imposed compulsory license' which would allow Amazon free use of the SeroVital trademark in perpetuity."[126]

Amazon argues that "if Plaintiffs have a viable UTAA claim, they are entitled only to a single statutory damages award of $2,000."[127] The plain language of the statute, according to Amazon, entitles Plaintiffs to a single award of $2,000 in statutory damages.[128] Amazon cites to *Anderson v. Felsted,*[129] as additional support for its interpretation of the UTAA. *Anderson* dealt with the Utah Consumer Sales Practices Act ("UCSPA") which contains language similar to the section at issue in this case. *Section 13–11–19(2)* of the UCSPA reads: "A consumer who suffers loss as a result of a violation of this chapter may recover ... actual damages or $2,000, whichever is greater, plus court costs." *Anderson* interpreted the provision to create "the opportunity for a consumer to recover what is essentially a civil penalty in the amount of $2000 where the consumer's actual damages may otherwise be de minimis, speculative, or too difficult to prove[.]"[130] Amazon also points out that other provisions of Chapter 13 of the Utah Code specifically include the "per violation" or "for each violation" language which is missing from the UTAA and therefore the omission should be presumed to be purposeful by the Utah Legislature. [131] As for Plaintiffs' contention that a single award of $2,000 would amount to a judicially imposed compulsory license, Amazon argues that no such compulsory license could occur when the $2,000 single payment is coupled with a right to injunctive relief to stop any further violations. [132]

"It is well settled that when faced with a question of statutory interpretation, 'our primary goal is to evince the true intent and purpose of the Legislature.' " [133] "The best evidence of the legislature's intent is the plain language of the statute itself." [134] Utah courts "presume [ ] that the expression of one [term] should be interpreted as the exclusion of another." [135] Utah courts "therefore seek to give effect to omissions in statutory language by presuming all omissions to be purposeful." [136] The plain meaning of the provision at issue in the present case grants a plaintiff the opportunity to elect either to prove *actual* damages sustained, or to claim a *statutory* damage award of $2,000. There is no indication that the Utah Legislature intended to allow an award of statutory damages on a per violation basis. It is reasonable to assume that the Utah Legislature chose to set a cap on statutory damages while allowing unlimited recovery of actual damages. If an aggrieved party believes that statutory damages are not adequate, that party may seek to prove actual damages. Moreover, Amazon is correct that a single award of $2,000 would not amount to a judicially imposed compulsory license, because the aggrieved party would also be entitled to injunctive relief of any further violations. Finally, this interpretation seems appropriate given that an aggrieved party, if meritorious on its UTAA claim, would not only be entitled to injunctive relief, actual or statutory damages, but would also be entitled to attorneys' fees and other costs, and corrective advertising. [137] Accordingly, if Plaintiffs ultimately prevail on their UTAA claim, they will be entitled to a single award of $2,000 in statutory damages.

ORDER

***15** IT IS HEREBY ORDERED that Amazon's motion for summary judgment [138] is GRANTED IN PART AND DENIED IN PART.

1) With respect to Plaintiffs' claims for trademark infringement pursuant to *15 U.S.C. § 1114* and violations of UTAA, Amazon's motion is DENIED;

2) Although Amazon moved for summary judgment on Plaintiffs' unjust enrichment claim, its briefing did not address this claim. Under *Federal Rule of Civil Procedure 56,* the moving party has the burden of establishing that no genuine issues of material fact exist with respect to each claim for which the movant seeks summary judgment. Amazon has failed to meet its burden on summary judgment with respect to this claim. Accordingly, Amazon's motion for summary judgment on Plaintiffs' unjust enrichment claim is DENIED;

3) Amazon is entitled to summary judgment on Plaintiffs' false advertising claim pursuant to *15 U.S.C. § 1125(a)* ;

4) Amazon is entitled to summary judgment that statutory damages under the UTAA is limited to a single award of $2,000.

IT IS FURTHER ORDERED that Plaintiffs' motion for partial summary judgment is DENIED. [139]

Within fourteen days, the parties shall meet and confer and email to *dj.nuffer @utd.uscourts.gov* a redacted version of this document that may be filed on the public record. The redacted copy shall be a text-based PDF document.

All Citations

Slip Copy, 2016 WL 527055

Footnotes

1 Defendant Amazon.com, Inc.'s Motion for Summary Judgment as to Liability and Damages (“Amazon's MSJ”), *docket no. 59*, filed July 21, 2014 (filed under seal). See also Redacted-Nonconfidential Defendant Amazon.com, Inc.'s Motion for Summary Judgment as to Liability and Damages, docket no. 63, filed July 22, 2014; Plaintiffs' Motion and Supporting Memorandum for Partial Summary Judgment Regarding Liability and for Injunction Pursuant to the Utah Truth in Advertising Act and the Lanham Action (“Plaintiffs' MPSJ”), *docket no. 62*, filed July 21, 2014 (filed under seal). *See also* Redacted-Nonconfidential Plaintiffs' Motion and Supporting Memorandum for Partial Summary Judgment Regarding

Liability and for Injunction Pursuant to the Utah Truth in Advertising Act and the Lanham Act, *docket no. 69*, filed July 25, 2014.

2 *See* DUCivR 7–1(f).

3 Complaint and Jury Demand, *docket no. 1*, filed March 6, 2013.

4 Amended Complaint and Jury Demand, *docket no. 31*, filed September 3, 2013.

5 Utah Code Ann. § 13–11a–1, et al.

6 Amazon's MSJ at 2.

7 *Id.*

8 *Id.*

9 Plaintiffs' MPSJ at 2.

10 Fed. R. Civ. P. 56(a).

11 *Mathews v. Denver Newspaper Agency LLP,* 649 F.3d 1199, 1204 (10th Cir.2011) (citation and internal quotations omitted).

12 *Ford v. Pryor,* 552 F.3d 1174, 1178 (10th Cir.2008) (citations omitted).

13 *Anderson v. Liberty Lobby, Inc.,* 477 U.S. 242, 248 (1986); *see also Kerber v. Qwest Group Life Ins. Plan*, 647 F.3d 950, 959 (10th Cir. 2011).

14 *Ditty v. CheckRite, Ltd., Inc.,* 973 F.Supp. 1320, 1326 (D.Utah 1997) (citing *Heublein, Inc. v. United States,* 996 F.2d 1455, 1461 (2d Cir.1993)).

15 Plaintiffs' MPSJ at 9; Defendant Amazon.com, Inc.'s Opposition to Plaintiffs' Motion for Partial Summary Judgment and for Injunctive Relief at 12 (“Amazon's Opposition”), *docket no. 83,* filed August 21, 2014 (filed under seal).

16 Plaintiffs' MPSJ at 9: Amazon's Opposition at 13.

17 Plaintiffs' MPSJ at 9: Amazon's Opposition at 12. *See also* Nunc Pro Tunc Licensing Agreement, *docket no. 61–4*.

18 Plaintiffs' MPSJ at 9: Amazon's Opposition at 13.

19 Plaintiffs' MPSJ at 14: Amazon's Opposition at 18-19. *See also docket no. 62–10*.

20 Plaintiffs' MPSJ at 15: Amazon's Opposition at 19–20. *See also docket no. 62–10*

21 There is a dispute among the parties wether the ads were “customixed” is a better description. Hydra bids on certain keywords, and when the keyword is matched to a user's search query, an ad is generated with the keyword and a sponsored ad is shown in the search results.

22 Plaintiffs' MPSJ at 10–11; Amazon's Opposition at 15

23 Plaintiffs' MPSJ at 16; Amazon's Opposition at 20–21.

24 Amazon's Opposition at 23; Plaintiffs' Reply in Support of ... [Plaintiffs' MPSJ] at 34 (“Plaintiffs' Reply”), *docket no. 101*, filed September 15, 2014 (filed under seal).

25 Plaintiffs' MPSJ at 13; Amazon's Opposition at 18.

26 Plaintiffs' MPSJ at 16; Amazon's Opposition at 20–21.

27 Plaintiffs' MPSJ at 11; Amazon's Opposition at 16.

28 Plaintiffs' MPSJ at 11–12; Amazon's Opposition at 16.

29 Plaintiffs' MPSJ at 12-13; Amazon's Opposition at 16–17.

30 Amazon's Opposition at 23; Plaintiffs' Reply at 34.

31 Amazon's Opposition at 24; Plaintiffs' Reply at 34–35.

32 Amazon's Opposition at 24; Plaintiffs' Reply at 35.

33 *Utah Code Ann. § 13–11a–415*).

34 Plaintiffs' MPSJ at 16; Amazon's Opposition at 21.

35 Plaintiffs' MPSJ at 16; Amazon's Opposition at 21–22.

36 Amazon's Opposition at 24; Plaintiffs' Reply at 35.

37 *15 U.S.C. § 1114(1)(a)*.

38 *15 U.S.C. § 1114(1)(a)*.

39 Amazon's Opposition at 3.

40 *Id.* at 3–4.

41 *Id* at 4.

42 Plaintiffs' Reply at 6.

43 *Utah Lighthouse Ministry v. Foundation for Apologetic Information and Research*, 527 F, 3d 1045, 1052 (quoting *Two Pesos v. Taco Cabana*, 505 U.S. 763, 774, 112 S.Ct. 2753, 120 L.Ed.2d 615 (1992)).

44 *Australian Gold, Inc. v. Hatfield*, 436 F.3d 1228, 1238 (10th Cir.2006).

45 *1–800 Contacts. Inc. v. Lens.com, Inc.*, 722 F.3d 1229 (10th Cir.2013).

46 Plaintiffs' MPSJ at 4 (stating that Plaintiffs were victims of Amazon's unlawful bait advertising).

47 *1–800 Contacts*, 722 F.3d at 1239 (quoting *Australian Gold*, 436 F.3d at 1238).

48 *Id.*

49 *Vail Associates, Inc. v. Vend–Tel–Co., Ltd.*, 516 F.3d 853, 872 (10th Cir.2008) : *see also* *Network Automation, Inc. v. Advanced Systems Concepts. Inc.*, 638 F.3d 1137, 1149 (9th Cir.2011) ("[W]hen we examine initial interest confusion, the owner of the mark must demonstrate likely confusion, not mere diversion,") : 1–800 Contacts, 722 F.Supp.2d at 1173 (" 'Likelihood of confusion' signifies more than a mere possibility.").

50 *185 F.3d 1084, 1089 (10th Cir.1999)*.

51 *1–800 Contacts, 722 F.3d at 1239*.

52 *Id.*

53 *Id.* at 1242; *see also* *Sally Beauty Co., Inc. v. Beautyco, Inc.*, 304 F.3d 964, 972 (10th Cir. 2002); *King of the Mountain*, 185 F.3d at 1089 ("Courts retain an important authority to monitor the outer limits of substantial similarity within which a jury is permitted to make the factual determination whether there is a likelihood of confusion." (brackets and internal quotation marks omitted)).

54 *King of the Mountain*, 185 F.3d at 1091.

55 *Id.* at 1091–92.

56 Amazon's Opposition 30–31.

57 Plaintiffs' Reply at 42 (citing *Utah Lighthouse Ministry v. Foundation for Apologetic Information and Research*, 527 F.3d 1045, 1055 (10th Cir. 2008)).

58 *Utah Lighthouse Ministry*, 527 F.3d at 1055.

59 *Heartsprings, Inc. v. Heartspring, Inc.,* 143 F.3d 550, 556 (10th Cir.1998).

60 *King of the Mountain*, 185 F.3d at 1090 (internal quotation marks and citation omitted).

61 *See* Undisputed Material Facts, ¶ 16.

62 *Sally Beauty Co., Inc.,* 304 F.3d at 974.

63 *Universal Money Ctrs., Inc. v. Am. Tel. & Tel. Co.,* 22 F.3d 1527, 1532 (10th Cir.), *cert. denied*, 513 U.S. 1052, 115 S.Ct. 655, 130 L.Ed.2d 558 (1994) (citation omitted).

64 *Sally Beauty Co., Inc.*, 304 F.3d at 975.

65 Amazon's Opposition at 27.

66 *See docket no. 62–7*.

67 *King of the Mountain Sports*, 185 F.3d at 1093 (quoting 2 McCarthy on Trademarks and Unfair Competition § 11:83 (4th ed.)).

68 *Id.*

69 *Id.*

70 *1-800 Contacts*, 722 F.3d at 1243.

71 *Id.* at 1244.

72 *Id.*

73 *Id.*

74 *Id.*

75 Amazon's Opposition at 31.

76 *15 U.S.C § 1125(a)*.

77 *McCarthy, supra*, § 27:13.

78 *1–800 Contacts*, 722 F.3d at 1239 (internal quotation marks and citation omitted).

79 *Id.* ("An infringement claim under *§ [1114(1)(a)*] has nearly identical elements [to *§ 1125(a)(1)(A)*] except that the registration of a mark [under *§ 1114(1)(a)*] serves as prima facie evidence of both the mark's validity and the registrant's exclusive right to use it in commerce." (internal quotation marks and citation omitted)).

80 Plaintiffs' MPSJ at 30 ("[T]his Court should grant partial summary judgment finding Amazon liable for false advertising under *15 U.S.C. § 1125(a)(1) (2014)*.").

81 *Zoller Labs., LLC. v. NBTY, Inc.*, 111 Fed.Appx. 978, 982 (10th Cir. 2004).

82 Amazon's Opposition at 35.

83 *Id*. at 36.

84 Plaintiffs' Reply at 40.

85 Amended Complaint at 11–12.

86 *Evans v. McDonald's Corp.*, 936 F.2d 1087, 1090 (10th Cir. 1991) (quoting *5 C. Wright & A. Miller, Federal Practice & Procedure* § 1219 at 194 (1990)).

87 *Id.* at 1091.

88 *McCarthy, supra, §§ 27:24* and 27:35.

89 Plaintiffs Reply at 40–41.

90 *Zoller Labs.,*111 Fed.Appx. 978; *see also Johnson & Johnson Vision Care, Inc. v. 1-800 Contacts, Inc.*, 299 F.3d 1242, 1250-51 (11th Cir. 2002) ("To the extent that the Fifth Circuit decision marks a circuit split, we stand with the First and Second Circuits, concluding that the plaintiff must establish materiality even when a defendant's advertisement has been found literally false.").

91 Plaintiffs' Reply at 41.

92 *Id.*

93 *See Johnson & Johnson Vision Care*, 299 F.3d at 1250 ("A plaintiff may establish this materiality requirement by proving that 'the defendants misrepresented an inherent quality or characteristic of the product.' " (quoting *Nat'l Basketball Ass'n v. Motorola, Inc.*, 105 F.3d 841, 855 (2d Cir.1997) (internal quotations omitted)).

94 *Cf. Toyota Motor Sales, U.S.A., Inc. v. Tabari*, 610 F.3d 1171, 1179 (9th Cir.2010) ("[R]easonable, prudent and experienced internet consumers.... skip from site to site, ready to hit the back button whenever they're not satisfied with a site's contents. They fully expect to find some sites that aren't what they imagine based on a glance at the domain name or search engine summary.").

95 *Utah Code Ann. § 13-11a-1.*

96 *Id.*

97 Plaintiffs' MPSJ at 22.

98 *Utah Code Ann. § 13–11a–3(i)* and (t).

99 Amazon's Opposition at 39 (citing Uniform Deceptive Trade Practices Act, Official Comment to *§§ 2(a)(9) & (10) (1966))*.

100 Amazon's Opposition at 40.

101 *Id.*

102 *Id.*

103 Plaintiffs' Reply at 36.

104 *Id.* at 37.

105 *Id.* at 37.

106 *16 C.F.R. § 238.0*.

107 Amazon's Opposition at 40.

108 Plaintiffs' Reply at 37.

109 *Utah Code Ann. § 13-11a-3(1)(t)*.

110 Plaintiffs' MPSJ at 36.

111 Amazon's Opposition at 40.

112 *Id.* at 41.

113 *Garrison v. Baker Hughes Oilfield Operations, Inc.*, 287 F.3d 955, 962 (10th Cir. 2002).

114 *John Allan Co. v. Craig Allen Co. L.L.C.,* 540 F.3d 1133, 1142 (10th Cir. 2008).

115 *Id.* (quoting *Prairie Band Potawatomi Nation v. Wagnon*, 476 F.3d 818, 822 (10th Cir. 2007)).

116 *15 U.S.C. § 1116(a)*.

117 *Prairie Band Potawatomi Nation v. Wagnon,* 476 F.3d 818, 822 (10th Cir. 2007).

118 *Utah Code Ann. § 13-11a-4(2)(a) (emphasis added)*.

119 *Id.* § 13–11a-4(2)(a).

120 *Proctor & Gamble Co. v. Haugen,* 947 F. Supp. 1551, 1555 (D. Utah 1996).

121 Amazon's MSJ at 2.

122 *Utah Code Ann. § 13-11a-4(2)(b)*.

123 Plaintiffs' Reply at 42 ("Consequently, Plaintiffs must rely on the remedies of injunctive relief under the Lanham Act and the UTAA to prevent future violations, and a claim under the UTAA for statutory damages...."). ; see also Plaintiffs' Memorandum in Opposition to Defendant Amazon.com, Inc.'s Motion for Summary Judgment as to Liability and Damages ("Plaintiffs' Opposition") at 31, *docket no. 82*, filed August 21, 2014 (same).

124 Plaintiffs' Opposition at 33–34.

125 *Id.* at 36.

126 *Id.*

127 Defendant Amazon.com, Inc.'s Reply in Support of its Motion for Summary Judgment as to Liability and Damages ("Amazon's Reply") at 2, *docket no. 100*, filed September 15, 2014.

128 *Id.* at 9.

129 *2006 UT App 188, 137 P.3d 1*.

130 *Anderson*, 2006 UT App 188, ¶ 14.

131 Amazon's MSJ at 33.

132 Amazon's MSJ at 33.

133 *Marion Energy, Inc. v. KFJ Ranch P'ship*, 2011 UT 50, ¶ 14, 267 P.3d 863 (quoting *Salt Lake Cnty. v. Holliday Water Co.*, 2010 UT 45, ¶ 27, 234 P.3d 1105).

134 *Id.*

135 *Id.* (internal quotation marks and citation omitted).

136 *Id.*

137 *See Utah Code Ann. § 13-11a-4(2)(c)* ("Costs shall be allowed to the prevailing party unless the court otherwise directs. The court shall award attorneys' fees to the prevailing party."); *see also § 13-11a-4(3)* ("The court may order the defendant to promulgate corrective advertising by the same media and with the same distribution and frequency as the advertising found to violate this chapter.").

138 Docket no. 59.

139 Docket no. 62.

EXHIBIT 15

2011 WL 39058
Only the Westlaw citation is currently available.
United States District Court, W.D. Washington,
at Seattle.

SOARING HELMET CORPORATION, Plaintiff,
v.
NANAL, INC., Defendant.

No. C09–0789JLR.
|
Jan. 3, 2011.

Attorneys and Law Firms

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ORDER ON MOTIONS

JAMES L. ROBART, District Judge.

***1** Before the court is (1) Defendant Nanal, Inc. d/b/a Leatherup.com's ("Nanal") motion for summary judgment (Dkt.# 57); (2) Nanal's motion to strike (Dkt.# 67); and (3) Plaintiff Soaring Helmet Corporation's ("Soaring Helmet") motion for leave to file third amended complaint (Dkt.# 74). Having reviewed the papers filed in support of and in opposition to the motions and no party having requested argument on the motions, the court GRANTS in part and DENIES in part Nanal's motion for summary judgment (Dkt.# 57); GRANTS in part and DENIES in part Nanal's motion to strike (Dkt.# 67); and DENIES Soaring Helmet's motion for leave to file third amended complaint (Dkt.# 74).

I. BACKGROUND

Soaring Helmet is a Washington company located in Kent, Washington. (Demund Decl. (Dkt.# 61) ¶ 2.) It is a wholesaler of motorcycle helmets and accessories, including a variety of motorcycle-related riding apparel and accessories, such as jackets, vests, pants, boots, goggles, chest protectors, gear bags, and head raps. (*Id.* ¶¶ 2–3.) Soaring Helmet is the owner of the VEGA trademark, which was registered with the United States Patent and Trademark Office ("PTO") on August 12, 1997, and was assigned Registration Number 2,087,637 for "motorcycle helmets." (*Id.* ¶ 4.) From 1994 to the present, Soaring Helmet has owned and used continuously the VEGA trademark. (*Id.*) In addition to a trademark for "motorcycle helmets," Soaring Helmet also owns the federally registered trademark VEGA TECHNICAL GEAR, Registration Number 3,639,490 for "motorcycle helmets and protective clothing." (*Id.* ¶ 5.)

According to Soaring Helmet's Vice–President, Jeanne Demund, since adopting the VEGA mark, the company has sold a wide and diverse variety of helmets and technical gear to customers throughout the United States. (*Id.* ¶ 6.) It has invested substantial sums of money, effort and time to use, advertise, promote and develop the VEGA mark. (*Id.*) Soaring Helmet sells exclusively through authorized distributors of its products. Soaring Helmet requires the distributors to be legitimate, reputable retailers. (*Id.* ¶ 7.) In fact, Soaring Helmet requires that potential dealers provide to it copies of their business licenses, sales tax permits, business telephone listing information, as well as photos of their store interior and exterior. (*Id.*) As a matter of corporate policy, Soaring Helmet also requires its dealers to sell VEGA products at no less than Soaring Helmet's manufacturer's suggested retail price and will terminate dealers that violate this policy. (*Id.* ¶ 8, Ex. A ("Selling Policy".)

When the internet became a factor in sales, Soaring Helmet developed a policy that included selling only through legitimate dealers, and not permitting internet-only sales outlets as dealers. (*Id.* ¶ 10.) According to Ms. Demund, Soaring Helmet's brick-and-mortar retailers are very sensitive to internet-only sales outlets, as there is a strong sense among these retailers that selling through internet-only dealers diminishes and taints the value of the product. (*Id.*) In part, this is due to internet discounting, which is a "hot button" issue for Soaring Helmet's authorized dealers. (*Id.* ¶ 13.) Ms. Demund declared that in her 16 years in the industry she has learned that the motorcycle industry at the retail level is composed overwhelmingly of individually owned stores, or small chains with few outlets, who perceive internet discounting as harmful to their interests. (*Id.* ("They watch carefully for unfair discounting, and brands that allow this are quickly tainted.").)

***2** Nanal is a Nevada company formed in 2005 to own and operate a website called "LeatherUp.com", which promotes and sells motorcycle apparel (such as leather and mesh jackets, boots, helmets, and vests) and motorcycle parts. (Bootesaz Decl. (Dkt.# 58) ¶ 3.) Nanal is an internet-only company; all of its sales are made through its website. (*Id.*) On or about September 1, 2008, Nanal bought the keywords "vega helmets" through Google AdWords. (Bootesaz Decl. ¶ 4.) Albert Bootesaz, president of Nanal, testified that the keywords were suggested by Google after he entered "helmets" as a search term. (*Id.*) At the time that he bought the keywords "vega helmets" he thought that it referred to a solar system or a star. (*Id.*) Nanal ceased using the keywords "vega helmets" in April 2009 after receiving a cease and desist letter from Soaring Helmet's counsel. (*Id.* ¶ 5.) Nanal also took the additional step of incorporating a negative instruction to Nanal's Google AdWords campaign so that LeatherUp.com's advertisements do not appear when the word "Vega" is searched. (*Id.*) Mr. Bootesaz also testified that the word "Vega" has never been used on the LeatherUp.com website and he has never directed that the word be incorporated into the website in any manner. (*Id.* ¶ 8.)

Contrary to Mr. Bootesaz representation, Ms. Demund provides evidence showing that the LeatherUp.com website advertised the "XElement Vega Leather Jacket," which was neither manufactured nor licensed by Soaring Helmet. (Demund Decl. ¶ 21.) As of November 22, 2010, Ms. Demund testified that the XElement Vega Leather Jacket was still being offered for sale on eBay.com and Cobragear.com. (*Id.* ¶ 23.)

On June 9, 2009, Soaring Helmet filed suit against the owner of the LeatherUp.com website.[1] Soaring Helmet alleges that Nanal's use of the keywords "vega helmets" in connection with Nanal's marketing, advertising, and sale of motorcycle jackets has and is likely to deceive customers or prospective customers of Soaring Helmet and constitutes trademark infringement in violation of 15 U.S.C. § 1114. (Sec.Am.Compl.(Dkt.# 48) ¶¶ 5.1–5.14.) Soaring Helmet also asserts claims against Nanal for false designation of origin, false advertising, and unfair competition pursuant to 15 U.S.C. § 1125(a). (*Id.* ¶¶ 6.1–6.9.) Finally, Soaring Helmet asserts two state-law claims against Nanal: violation of the Washington State Unfair Business Practices and Consumer Protection Act ("CPA"), RCW 19.86, and tortious interference with prospective economic advantage. (*Id.* ¶ 7.1–8.6.) Nanal moves for summary judgment on all of the claims asserted against it. The court addresses each in turn below.

II. ANALYSIS

Before addressing the merits of Nanal's motion for summary judgment, the court must determine whether portions of Soaring Helmet's evidence was disclosed after the discovery deadline and whether Soaring Helmet should be permitted to amend its complaint for a third time to assert personal claims against Nanal's president, Mr. Bootesaz.

A. Motion to Strike

***3** Nanal moves to strike the following evidence on the basis that it was untimely disclosed by Soaring Helmet: (1) exhibit N to the Morado Declaration found at docket number 66; (2) exhibits A, B and C to the Mallard Declaration found at docket number 64 and paragraphs 10–14 and 16–20; (3) paragraphs 4–11 of the Loga Declaration found at docket number 63; (4) paragraphs 8–14 of the Layman Declaration found at docket number 62; and (5) paragraphs 20–22 of the DeMund Declaration found at docket number 61. (Reply (Dkt.# 67) at 1–2.) Nanal requests that this material be stricken pursuant to Rule 37 of the Federal Rules of Civil Procedure.

Rule 37(c)(1) provides that "[i]f a party fails to provide information or identify a witness as required by Rule 26(a) and (e), the party is not allowed to use that information or witness to supply evidence on a motion, at a hearing, or at a trial, unless the failure was substantially justified or is harmless." Fed.R.Civ.P. 37(c)(1). Here, Nanal moves to strike testimony from Claudia Mallard, Wayne Layman, and Jeanne Demund, all of whom were disclosed by Soaring Helmet in August 17, 2009, but Nanal chose not to depose. (Morado Decl. (Dkt.# 81) at Ex. A.) Similarly, Joy Loga was identified in Soaring Helmet's answer to Nanal's interrogatory request on June 21, 2010. (*Id.,* Ex. C.) Accordingly, because Rule 26(a) requires Soaring Helmet to disclose only the name of its potential witnesses and the subject of their testimony, and Nanal chose not to depose any of Soaring Helmet's witnesses, Nanal cannot now complain that there are areas of these witnesses' testimony for which it was not aware. The court therefore denies Nanal's motion to strike the testimony of witnesses previously disclosed by Soaring Helmet.

As for the exhibits attached to the declaration of Claudia Mallard, the court finds that Soaring Helmet's failure to disclose them prior to the discovery deadline was prejudicial to Nanal. *See* Fed.R.Civ.P. 37(c)(1). Ms. Mallard is a sales representative for Vega Helmets. (Mallard Decl. ¶ 2.) Her declaration includes notes from meetings with prospective clients that she relied on in providing her testimony and a copy of a business card from a Jim Machnik, a customer that complained about the Nanal website. (*Id.,* Exs. A–C.) Discovery closed in this case on September 20, 2010 but it appears that Soaring Helmet waited until November 19, 2010 to gather evidence from Ms. Mallard. While it is appropriate to provide declarations of witnesses setting forth their trial testimony in opposing a motion for summary judgment, offering new evidence not previously disclosed violates Rule 37. The court strikes the untimely filed exhibits attached to the Mallard Declaration.

Finally, Nanal complains that exhibit N to the Morado Declaration was not previously disclosed and should therefore be stricken. (Reply at 7.) Exhibit N is a 30–page spreadsheet setting forth the Soaring Helmet's national sales for 2009. (Morado Decl., Ex. N.) Soaring Helmet does not dispute that exhibit N had not previously been disclosed and contends that it mistakenly attached the wrong spreadsheet to the Morado declaration. (Resp. (Dkt.# 80) at 5.) Since Soaring Helmet has already corrected the error by filing a new exhibit N, the court denies Nanal's motion with respect to this exhibit as moot.

B. Motion for Leave to Amend

***4** Soaring Helmet moves to amend its complaint to add a new defendant less than two months before trial. Soaring Helmet argues that it should be permitted to add the president of Nanal, Albert Bootesaz, because it has learned that he exercises "total control" over Nanal's activities. (Mot.(Dkt.# 74) at 1–2.) In arguing for leave to amend its complaint, it focuses on the liberal amendment policy of Federal Rule of Civil Procedure 15(a)(2). However, Rule 15(a)(2) is not the only standard that applies here. Instead, a party's ability to amend a pleading after the scheduling order deadline is governed by Rule 16(b). *Johnson v. Mammoth Recreations, Inc.,* 975 F.2d 604, 608 (9th Cir.1992) ("The scheduling order controls the subsequent course of the action unless modified by the court.") (internal quotations omitted). A party seeking modification of the scheduling order must demonstrate good cause. *Id.* Specifically, a plaintiff seeking to amend its complaint after the scheduling order deadline "must first show 'good cause' for amendment under Rule 16(b), then, if 'good cause' be shown, the party must demonstrate that amendment was proper under Rule 15." *Id.* (citing *Forstmann v. Culp,* 114 F.R.D. 83, 85 (M.D.N.C.1987)).

The "good cause" inquiry under Rule 16(b) "primarily considers the diligence of the party seeking the amendment." *Johnson,* 975 F.2d at 609. "Although the existence or degree of prejudice to the party opposing the modification might supply additional reasons to deny a motion, the focus of the inquiry is upon the moving party's reasons for seeking modification." *Id.* (citing *Gestetner Corp. v. Case Equipment. Co.,* 108 F.R.D. 138, 141 (D.Me.1985). "If that party was not diligent, the inquiry should end." *Id.* Soaring Helmet argues that it was diligent in moving to amend the complaint because it "only learned of Mr. Bootesaz's controlling participation in the actions of [Nanal] when it took his deposition on September 20, 2010." (Mot. at 3.) First, the court points out that Soaring Helmet learned this in September but did not move to amend for another two months, after Nanal filed its motion for summary judgment and after discovery had closed in this case. Second, the court is not persuaded that Soaring Helmet "only learned" of Mr. Bootesaz's controlling participation in Nanal at his September deposition. Mr. Bootesaz filed his first declaration in this case in October 2009, wherein he declared that he was the president of Nanal. (Lay Decl. (Dkt.# 78) Ex. 2.) Mr. Bootesaz was identified as the president of Nanal in numerous pleadings since October 2009. (*See* Lay Decl., Ex. 4 (pleading served in January 2010 stating that Mr. Bootesaz had knowledge of Nanal's business, operations, products and marketing, including information relating to interest search engines, namely Google, and Nanal's use of the Adword program); Ex. 6 (pleading served in July 2010 stating that Mr. Bootesaz was president of Nanal and the person responsible for selecting the Google Adwords). Because Soaring Helmet did not act diligently in moving to amend its complaint, nor did it act diligently in pursuing a piercing the corporate veil theory, the court denies its motion to amend its complaint. This matter is set for trial in under a month. The court cannot excuse Soaring

Helmet's delay and permit it to name Mr. Bootesaz at this late stage in the proceedings. Because the court does not find good cause pursuant to Rule 16(b), it need not address the lesser standard set forth in Rule 15.

C. Motion for Summary Judgment

***5** Nanal moves for summary judgment on all of Soaring Helmet's claims against it. Summary judgment is appropriate if the evidence, when viewed in the light most favorable to the non-moving party, demonstrates there is no genuine dispute of material fact. Fed.R.Civ.P. 56(a);[2] *Celotex Corp. v. Catrett,* 477 U.S. 317, 322, 106 S.Ct. 2548, 91 L.Ed.2d 265 (1986); *Galen v. County of Los Angeles,* 477 F.3d 652, 658 (9th Cir.2007). The moving party bears the initial burden of showing there is no material factual dispute and he or she is entitled to prevail as a matter of law. *Celotex,* 477 U.S. at 323. If the moving party meets its burden, the nonmoving party must go beyond the pleadings and identify facts which show a genuine dispute for trial. *Cline v. Indus. Maint. Eng'g. & Contracting Co.,* 200 F.3d 1223, 1229 (9th Cir.2000).

1. *Lanham Act Claims*

Nanal argues that Soaring Helmet cannot show that there is a likelihood of confusion to support a claim for either trademark infringement, 15 U.S.C. § 1114, or false designation of origin and unfair competition, 15 U.S.C. § 1125(a). The court begins its analysis with the Ninth Circuit's teachings that trademark disputes are "intensely factual in nature" and summary judgments are generally disfavored in the trademark context. *Interstellar Starship Serv., Ltd. v. Epix, Inc.,* 184 F.3d 1107, 1109 (9th Cir.1999).

The test for likelihood of confusion is whether a "reasonably prudent consumer" in the marketplace is likely to be confused as to the origin of the good or service bearing one of the marks. *See Dreamwerks Prod. Group, Inc. v. SKG Studio,* 142 F.3d 1127, 1129 (9th Cir.1998) (citing *AMF Inc. v. Sleekcraft Boats,* 599 F.2d 341, 348–49 (9th Cir.1979) (setting out the *Sleekcraft* factors)). The *Sleekcraft* factors include: (1) strength of the mark; (2) proximity or relatedness of the goods; (3) similarity of sight, sound and meaning; (4) evidence of actual confusion; (5) marketing channels; (6) type of goods and purchaser care; (7) intent; and (8) likelihood of expansion. (*Id.*) The factors should not be rigidly weighed; we do not count beans. *Dreamwerks,* 142 F.3d at 1129. "Rather, the factors are intended to guide the court in assessing the basic question of likelihood of confusion." *Id.* (citing *E. & J. Gallo Winery v. Gallo Cattle Co.,* 967 F.2d 1280, 1293 (9th Cir.1992)).

Here, the court finds that an analysis of the *Sleekcraft* factors as applied to the facts in this case supports a finding that there is a genuine dispute as to the likelihood of confusion, such that the dispute should be presented to the jury. To begin, Soaring Helmet's trademark "vega" is an arbitrary term as it relates to motorcycle helmets thereby making it a relatively strong mark. *See Brookfield Comm., Inc. v. W. Coast Entm't Corp.,* 174 F.3d 1036, 1037 (9th Cir.1999) (discussing the greater strength of arbitrary marks because they are more likely to be remembered and associated in the public mind with the mark's owner). Thus, the first factor is met. The majority of the remaining *Sleekcraft* factors also support a finding that a consumer would be confused by Nanal's use of the term "vega helmets" in its advertisements. For example, the proximity or relatedness of the goods is the same, i.e., motorcycle gear and accessories, there is also similarity of sight, sound and meaning as Nanal advertised "vega helmets" and Soaring Helmet has a registered trademark cover the use of "vega" for motorcycle helmets. Finally, Nanal admits that there is evidence of actual confusion in the same market channels because a number of consumers who were diverted to Nanal's website after searching for vega helmets actually clicked through to LeatherUp.com's website and purchased product from Nanal. (Bootesaz Decl. ¶ 6.)

***6** Because evidence on the record would permit a rational factfinder to find a likelihood of confusion, the court denies Nanal's motion for summary judgment as to the trademark infringement and unfair competition claims.

2. *False Advertising*

Nanal argues that Soaring Helmet's claim for false advertisement under the Lanham Act should be dismissed because there is a "dearth of evidentiary support." (Mot. at 15.) The elements of a Lanham Act § 43(a)[3] false advertising claim are: (1) a false statement of fact by the defendant in a commercial advertisement about its own or another's product; (2) the statement actually deceived or has the tendency to deceive a substantial segment of its audience; (3) the deception is material, in that it is likely to influence the purchasing decision; (4) the defendant caused its false statement to enter interstate commerce; and (5) the plaintiff has been or is likely to be injured as a result of the false statement, either by direct diversion of sales from itself to defendant or by a lessening of the goodwill associated with its products. *Southland Sod Farms v. Stover Seed Co.,* 108 F.3d 1134, 1139 (9th Cir.1997) (citing *Cook, Perkiss and Liehe, Inc. v. Northern Cal. Collection Serv., Inc.,* 911 F.2d 242, 244 (9th Cir.1990)).

Nanal focuses its argument on elements three and five —material deception and injury, respectively. Soaring Helmet correctly points out, however, that a finding that the advertisement was literally or facially false leads to a presumption of consumer deception and materiality in a false advertisement case. *See U–Haul Int'l, Inc. v. Jartran, Inc.,* 793 F.2d 1034, 1040–41 (9th Cir.1986); *Southland Sod,* 108 F.3d at 1146. Here, there is sufficient evidence to demonstrate falsity within the meaning of the Lanham Act. Nanal's president admitted both that he used "vega helmets" as an Adword through Google and that his company was not authorized to, nor did it, sell vega helmets. (Bootesaz Decl. ¶ 6; Demund Decl. ¶ 14.) The falsity of Nanal's advertisement creates a presumption of deception and reliance. *See, e.g., Abbot Labs. v. Mead Johnson & Co.,* 971 F.2d 6, 17 (7th Cir.1992).

As for injury, the court is satisfied that Soaring Helmet has come forth with evidence of actual injury. For example, Soaring Helmet produced evidence that dealers hesitated to do business with it after viewing the Nanal advertisement stating that it sold vega helmets at 50% off the suggested manufacturer's price. (Mallard Decl. ¶ 14; Loga Decl. ¶¶ 3–8; Layman Decl. ¶ 12.) Soaring Helmet also produced evidence of the amount of money it spends on advertising and marketing its product, as well as its strict policies on who is eligible to be an authorized dealer and at what price its Vega products may be sold by those dealers. (Demund Decl. ¶¶ 8–15, 24.) According to Soaring Helmet, Nanal's conduct in falsely advertising vega helmets and jackets at "50% off" seriously diluted Soaring Helmet's mark and damaged its relationship with its dealers. Accordingly, the court is satisfied that, at a minimum, Soaring Helmet has produced sufficient evidence that it has suffered damages to its business, goodwill, reputation and, possibly, its profits. *See* 15 U.S.C. 1117(a).

3. *State–Law Claims*

***7** In addition to its Lanham Act claims, Soaring Helmet also asserts two state-law claims: CPA and tortious interference. The Washington CPA makes unlawful "[u]nfair methods of competition and unfair or deceptive acts or practices in the conduct of any trade or commerce ...." RCW 19.86.020 (2009). Under the CPA, a plaintiff must demonstrate (1) an unfair or deceptive act or practice (2) occurring in trade or commerce (3) that impacts the public interest (4) causing an injury to the plaintiff's business or property with (5) a causal link between the unfair or deceptive act and the injury suffered. *Dewitt Const. Inc. v. Charter Oak Fire Ins. Co.,* 307 F.3d 1127, 1132 (9th Cir.2002). The parties agree that Soaring Helmet's claims under the CPA rise or fall with the Lanham Act trademark infringement and unfair competition claims. Accordingly, because the court finds there is sufficient evidence to support the Lanham Act claims it similarly finds that Soaring Helmets CPA claim survives summary judgment.

As for Soaring Helmet's tortious interference claim, Nanal moves to dismiss it on the basis that Soaring Helmet failed to show that there was any termination of a business expectancy that resulted in damage to it. Under Washington law, there are five elements to a tortious interference with business expectancy claim: (1) the existence of a valid contractual relationship or business expectancy; (2) that defendants had knowledge of that relationship; (3) an intentional interference inducing or causing a breach or termination of the relationship or expectancy; (4) that defendants interfered for an improper purpose or used improper means; and (5) resultant damage." *Leingang v. Pierce Cnty. Med. Bureau, Inc.,* 131 Wash.2d 133, 930 P.2d 288, 300 (Wash.1997). All the essential elements must be established to support a claim of tortious interference. *Young v. Key Pharms., Inc.,* 112 Wash.2d 216, 770 P.2d 182, 188 (Wash.1989).

Soaring Helmet fails to produce evidence that there was an existing business expectancy that it lost as a result of Nanal's conduct. Instead, Soaring Helmet argues generally that it had a reasonable and valid expectation that "potential customers searching for Soaring Helmet's VEGA trademark would not be lured to a website that does not in fact sell any of Soaring Helmet's products." (Mot. at 22.) Soaring Helmet does not identify any lost business expectancy to support this argument. General allegations of lost business do not create a question of fact for trial. The court therefore grants summary judgment in favor of Nanal on this claim.

III. CONCLUSION

For the above reasons, the court GRANTS in part and DENIES in part Nanal's motion for summary judgment (Dkt.# 57); GRANTS in part and DENIES in part Nanal's motion to strike (Dkt.# 67); and DENIES Soaring Helmet's motion for leave to file third amended complaint (Dkt.# 74).

All Citations

Not Reported in F.Supp.2d, 2011 WL 39058

Footnotes

1 Soaring Helmet initially named the wrong defendant, Bill Me, Inc., because the LeatherUp.com website stated in its terms and conditions that Bill Me, Inc. owned LeatherUp.com. (Morado Decl., Ex. G.)

2 Rule 56 has been amended, effective December 1, 2010. The substantive standard for summary judgment remains unchanged, however. *See* Fed.R.Civ.P. 56 advisory committee's note. Nevertheless, as this motion was filed before the amendment went into effect, the prior version of the rule governs the court's analysis.

3 Lanham Act § 43(a), codified at 15 U.S.C. § 1125(a), provides in pertinent part: "(1) Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any ... false or misleading representation of fact, which ... (B) in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person's goods, services, or commercial activities, shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act."

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EXHIBIT 16

KeyCite Red Flag - Severe Negative Treatment
On Reconsideration FenF, LLC v. SmartThingz, Inc., E.D.Mich., April 14, 2014

2014 WL 1304779
Only the Westlaw citation is currently available.
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E.D. Michigan,
Southern Division.

FENF, LLC, Plaintiff,
v.
SMARTTHINGZ, INC., Defendant.

No. 12–cv–14770.
|
Signed March 28, 2014.

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OPINION AND ORDER (1) GRANTING PLAINTIFF'S MOTION FOR SUMMARY JUDGMENT OF TRADEMARK INFRINGEMENT AND UNFAIR COMPETITION AND (2) DENYING WITHOUT PREJUDICE PLAINTIFF'S MOTION FOR PERMANENT INJUNCTION

PATRICK J. DUGGAN, District Judge.

***1** On October 26, 2012, FenF, LLC ("FenF") filed this lawsuit against Smartthingz, Inc. ("Smartthingz") alleging patent and trademark infringement. Specifically, FenF contends that Smartthingz is infringing FenF's patent, U.S. Pat. No. 800,002,675 ("the #675 patent"), which describes a foot-therapy product sold under the marks YOGA TOES and YOGATOES. FenF also accuses Smartthingz of trademark infringement and unfair competition with respect to the marks in violation of the Lanham Act, 15 U.S.C. § 1114. Presently before the Court are FenF's motion for permanent injunction (ECF No. 32) and motion for summary judgment of trademark infringement and unfair competition (ECF No. 35), both filed December 16, 2013.

After receiving an extension of time to respond to FenF's motions, Smartthingz filed a notice of non-opposition to the motion for summary judgment on January 23, 2014. (ECF No. 40.) Smartthingz states in the notice that for purposes of this litigation, only, it "does not oppose FenF's motion or the Court's entry of judgment of liability only in favor of FenF on its claims of trademark infringement." (*Id.* at 1.) Notwithstanding this concession, Smartthingz argues that FenF is not entitled to any form of monetary relief on its claims. (*Id.*)

On January 23, 2014, Smartthingz also filed a response to FenF's motion for permanent injunction. (ECF No. 41.) Smartthingz opposes the motion, arguing that FenF fails to demonstrate its entitlement to injunctive relief. FenF filed a reply brief on February 7, 2014.

On March 5, 2014, this Court issued a notice informing the parties that it is dispensing with oral argument with respect to FenF's motions pursuant to Eastern District of Michigan Local Rule 7 .1(f)(2).

I. Motion for Summary Judgment

FenF seeks summary judgment with respect to its claims alleging trademark infringement and unfair competition in violation of the Lanham Act, 15 U.S.C. §§ 1114 and 1125(a), respectively. A party proves infringement of a registered federal trademark under the Lanham Act by establishing that: (1) it owns the registered trademark; (2) the alleged infringer used the mark in commerce without authorization; and (3) the use of the mark is likely to cause confusion among consumers regarding the origin of the goods offered by the parties. 15 U.S.C. § 1114(1); *Hensley Mfg., Inc. v. ProPride, Inc.,* 579 F.3d 603, 609 (6th Cir.2009). Resolution of an unfair competition claim also rests on the likelihood of confusion inquiry. *Gen. Motors Corp. v. Keystone Auto. Indus., Inc. .,* 453 F.3d 351, 354 (6th Cir.2006) (citations omitted).

The Sixth Circuit Court of Appeals employs an eight-factor test to determine the likelihood of confusion: (1) strength of the plaintiff's mark; (2) relatedness of the goods; (3) similarity of the marks; (4) evidence of actual confusion; (5) marketing channels used; (6) likely degree of purchaser care; (7) the defendant's intent in selecting the mark; and (8) likelihood of expansion of the product lines. *Id.* (citing *Tumblebus Inc. v. Cranmer,* 399 F.3d 754, 764 (6th Cir.2005)). Consideration of these factors in the instant case suggests that Smartthingz's use of FenF's marks is likely to cause confusion among consumers regarding the origin of the parties' goods.

***2** First, FenF is the owner of the federally registered trademarks YOGA TOES and YOGATOES. (ECF No. 37 Exs. A, B.) The YOGA TOES mark was registered on June 19, 2007; and the YOGATOES mark was registered on May 20, 2008. (*Id.*) FenF uses the marks in connection with its marketing and sale of a foot-therapy product. (*See* ECF No. 36 ¶¶ 4–6.)

Smartthingz markets and sells a foot-therapy product that competes with the foot-therapy product that FenF sells under the YOGA TOES and YOGATOES marks. (*Id.* ¶ 7; ECF No. 37 Ex. C at 28.) The product sold by Smartthingz is constructed the same as, and functions similarly to, the product sold by FenF. (*See* ECF No. 36.) Smartthingz markets and sells its product to the same customers as FenF. (ECF Nos 36 ¶ 4; ECF No. 37 Ex. D at 166.) FenF and Smartthingz use the same on-line channels to sell their products. (ECF No. 36 ¶ 5; 37 Ex. D at 53, 64–66.) Smartthingz has used the YOGA TOES and YOGATOES marks in advertising its own product. (ECF No. 37 Ex. F.) The source code for Smartthingz's website also shows that FenF's registered marks were used in the metadata, including in the header information (which is displayed on the website) and the keywords (which is not displayed on the website but can be used by search engines to drive traffic to the website). (*Id.* Ex. G.) Smartthingz also purchased YOGATOES as a Google AdWord, meaning that Smartthingz's website would be listed and advertised before FenF's website when internet users searched for YOGATOES through Google's search engine. (*Id.* Ex. C at 60.)

For these reasons, the Court concludes that FenF demonstrates its entitlement to summary judgment with respect to its trademark infringement and unfair competition claims. As it does not oppose FenF's motion, Smartthingz has not presented evidence or argument to show otherwise.

II. Motion for Permanent Injunction

FenF seeks a permanent injunction under the Patent Act, 35 U.S.C. § 283, enjoining Smartthingz from continuing to infringe the #675 patent. A plaintiff seeking a permanent injunction must satisfy a four-factor test before obtaining such relief. The plaintiff must show:

> (1) that it has suffered an irreparable injury; (2) that remedies available at law, such as monetary damages, are inadequate to compensate for that injury; (3) that, considering the balance of hardships between the plaintiff and defendant, a remedy in equity is warranted; and (4) that the public interest would not be disserved by a permanent injunction.

eBay, Inc. v. MercExchange, LLC, 547 U.S. 388, 391, 126 S.Ct. 1837, 1839, 164 L.Ed.2d 641, (2006) (citations omitted). The decision whether to grant injunctive relief falls within the district court's equitable discretion. *Id.*

Prior to the Supreme Court's decision in *eBay,* courts followed the "general rule" that a permanent injunction should issue "against patent infringement absent exceptional circumstances.' " *Id.* (quoting *MercExchange, LLC v. eBay, Inc.,* 401 F.3d 1323, 1339 (2005)). This was based on a presumption of irreparable harm where the patent holder demonstrates patent infringement. *See id.* In *eBay,* however, the Supreme Court rejected this presumption and held that the court's discretion whether to issue an injunction in a patent case "must be exercised consistent with traditional principles of equity." *Id.* at 394, 126 S.Ct. at 1841.

***3** A court may issue a permanent injunction, however, only once the requesting party has demonstrated its success on the merits. *See Amoco Prod. Co. v. Vill. of Gambell, AK,* 480 U.S. 531, 546 n. 12, 107 S.Ct. 1396, 1404 n. 12, 94 L.Ed.2d 542 (1987) ("The standard for a preliminary injunction is essentially the same as for a permanent injunction with the exception that the plaintiff must show a likelihood of success on the merits rather than actual success."); *see also* 43A C.J.S. Injunction § 359 (2014) ("A permanent or perpetual injunction issues as a final judgment which settles the rights of the parties after the determination of all issues raised."). As the District Court for the Northern District of Illinois has succinctly stated: "[F]or a permanent injunction to issue from the court, [the plaintiff] must prevail on the merits of its claim and establish that equitable relief is appropriate." *Intervisual Commc'ns, Inc. v. Volkert,* 975 F.Supp. 1092, 1104 (1997) (citing *Beacon Theatres, Inc. v. Westover,* 359 U.S. 500, 506–07, 79 S.Ct. 948, 954–55, 3 L.Ed.2d 988 (1959)).

In Count I of its Amended Complaint, FenF alleges that Smartthingz has directly infringed the #675 patent. (ECF No. 22 ¶¶ 21–23.) Smartthingz denies FenF's allegations in its Answer.[1] (*See, e.g.,* ECF No. 26 ¶¶ 3–4 ("Smartthingz specifically denies that it has infringed any valid and enforceable patents, trademarks, or other rights of FenF[.]").) FenF has not moved for summary judgment with respect to its patent infringement claim and there has not otherwise been a finding that Smartthingz infringed the #675 patent. Only if FenF demonstrates success on the merits of this claim may this Court grant its request for a permanent injunction under the Patent Act, 35 U.S.C. § 283.

Accordingly,

IT IS ORDERED, that Plaintiff FenF, LLC's Motion for Summary Judgment of Trademark Infringement and Unfair Competition is **GRANTED;**

IT IS FURTHER ORDERED, that Plaintiff FenF, LLC's Motion for Entitlement to Permanently Enjoin Defendant Smartthingz, Inc.'s Continued Infringement of U.S. Pat. No. 8,022,675 is **DENIED WITHOUT PREJUDICE.**

All Citations

Not Reported in F.Supp.3d, 2014 WL 1304779

Footnotes

1 Smartthingz does not raise FenF's failure to demonstrate success on its patent infringement claim in response to FenF's motion for permanent injunction, focusing instead on the equitable factors the court must balance to decide whether injunctive relief is appropriate. Nevertheless, Smartthingz does not appear to have conceded that it infringed the #675 patent as it specifically uses the phrase "alleged infringement" throughout its response brief. (*See* ECF No. 41.)

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EXHIBIT 17

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UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

PARTNERS FOR HEALTH AND HOME, L.P., ETC., Plaintiff, vs. SEUNG WEE YANG, ETC., ET AL., Defendants.	CASE NO. CV 09-07849 RZ UNDISPUTED FACTS AND CONCLUSIONS OF LAW

UNDISPUTED FACTS

1. In the 1980's in New York, Domenico Santorelli, who is not a party to these proceedings, began selling stainless steel cookware under the brand name Perma-Life®.

2. In 1986, Ki Won ("Jean") Shim entered into a 50-50 business partnership with Mr. Santorelli whereby they would jointly own and operate the Perma-Life cookware business, including specifically the Perma-Life trademark.

3. In 2002, Ms. Shim purchased from Domenico Santorelli the rights to the Perma-Life trademark and to U.S. Trademark Registration No. 2,029,777 ("the '777 Registration") for the goods of, *inter alia*, metal cookware, and the goodwill associated with that mark.

4. Since purchasing the rights to the Perma-Life trademark and associated goodwill of the business from Mr. Santorelli, together Ms. Shim and Plaintiff Partners for Health & Home, L.P. ("Partners"), of which Ms. Shim is the President, have continuously sold stainless steel cookware under the Perma-Life trademark.

5. In 2008, Plaintiff's prior trademark counsel, Paul Supnick, transferred his files for Jean Shim, including the trademark files, to Plaintiff's current counsel, Joel Voelzke.

6. In reviewing those incoming files, Mr. Voelzke noticed that Mr. Supnick had failed to renew the '777 registration and that the time period for filing a late renewal had expired. Mr. Voelzke filed a new trademark application to re-register the Perma-Life trademark.

7. The time period from the time that the PTO officially declared the '777 registration lapsed on June 6, 2008, until the day that attorney Voelzke filed the new application on June 8, 2008, was one day.

8. The application filed by attorney Voelzke registered as Registration No. 3,564,113 ("the '113 Registration") on January 20, 2009 for the mark Perma-Life.

9. The '113 Registration is a valid and subsisting federal trademark registration for the mark Perma-Life.

10. The period during which there was no federal trademark registration for Perma-Life owned in whole or in part by Plaintiff, its principal Jean Shim, or a predecessor company in which Jean Shim was part owner, was less than 8 months (from June 6, 2008 until January 20, 2009).

11. In 2009, Ms. Shim assigned both of the registrations, including the goodwill associated with the mark and the right to sue for past infringements, to Plaintiff Partners for Health and Home, L.P. ("Partners"), of which she is the President.

12. At no time from 1986 until the present did Ms. Shim or her companies ever stop selling Perma-Life cookware, whether through her partnership with Domenico Santorelli, through her company Perma-Life Cookware, or through her company Partners.

13. Defendant S T P America, Inc. ("STP") is 100% owned by Defendant Seung Wee ("Edward") Yang.

14. Defendant Seung Wee Yang made all of the managerial decisions for STP.

15. Defendant Seung Wee Yang made all of STP's marketing and advertising decisions.

16. For several years, Defendant Yang imported "health mattresses" and water purifiers from Korea.

17. From about October 2005 to about April 2007, Plaintiff purchased mattresses and water purifiers from Mr. Yang, and used its distribution network to sell those products to end customers in America.

18. In January 2008, Mr. Yang began selling stainless steel cookware; he called his new cookware Pearl Life.

19. Defendants sold approximately $400,000 worth of Pearl Life cookware.

20. Defendants' purchase price for that cookware from the manufacturer was approximately $223,708.

21. Occasionally, Defendants advertised their cookware as being "PEARL-LIFE" (with a hyphen).

22. A significant target market for both Plaintiff's cookware and Defendants' cookware is the Korean American community in the Los Angeles area.

23. In their discovery answers, Defendants claimed to be unable to remember any way in which they had ever used Plaintiff's Perma-Life trademark within their own advertising to sell their competing Pearl Life cookware.

24. In 2006, Mr. Yang registered the domain name www.permalife.co.kr.

25. Mr. Yang placed, or caused to be placed, the metatag "permalife" on the website located at www.permalife.co.kr.

26. Mr. Yang placed the www.permalife.co.kr domain for sale by stating on that website that the domain was "For Sale."

27. On July 9, 2008, Mr. Yang registered a second Korean domain, www.perma-life.co.kr.

28. Mr. Yang admitted in deposition that in early 2007 his relationship with Ms. Shim fell apart; then more than a year later, he registered the domain www.perma-life.co.kr and linked it to his www.pearllife.com website (framed that website) from which he advertised his Pearl Life cookware; then later he put the www.perma-life.co.kr domain up for sale, all without ever telling Ms. Shim that he had done those things.

29. Mr. Yang repeatedly denied in this litigation that Exhibit 4 to the Complaint, which showed the domain www.perma-life.co.kr being used to promote Mr. Yang's own Pearl Life cookware, was an accurate representation of what the website at www.perma-life.co.kr looked like.

30. Mr. Yang admitted in deposition however, that Exhibit 3 to the deposition (which is identical to Exhibit 4 to the Complaint) was an accurate representation of what www.perma-life.co.kr looked like.

31. Mr. Yang admitted in deposition that he had caused the domain www.perma-life.co.kr to be "linked" or "forwarded" to his "home page" at www.pearllife.com.

32. Contrary to his deposition testimony, Mr. Yang did not actually stop linking (framing) www.perma-life.co.kr to his own Pearl Life website until at least October 2009.

33. Mr. Yang repeatedly denied in this litigation that he had caused the metatags "perma-life" and "perma life" to be placed on the website at www.perma-life.co.kr.

34. That source code for the website www.perma-life.co.kr contained the terms "perma life" and "permalife" as metatags.

35. Mr. Yang instructed his website designer, Steven Kim, to place "perma-life" as a metatag on that website.

36. Mr. Yang posted videos on the Internet promoting his Pearl Life cookware to which he applied Plaintiff's Perma-Life trademark as visible tags (indexing tags); he posted such videos on the video sharing sites YouTube (www.youtube.com), and Tag Story (www.tagstory.com), and on his "blog" at Daum (www.daum.net).

37. Mr. Yang's intent in applying Plaintiff's Perma-Life trademark as indexing tags for videos was to divert consumers who were looking for Plaintiff's Perma-Life cookware on the Internet to his www.pearllife.com website from which he sold his Pearl Life cookware.

38. In their Answers, Defendants denied having purchased "PERMA-LIFE" as a search engine advertising keyword.

39. Mr. Yang, however, did in fact purchase from Google, Inc. the term "permalife" as an Internet search engine advertising keyword.

40. In sum, Defendants used Plaintiff's Perma-Life trademark in the following ways: (1) as a domain name through which they framed their www.pearllife.com website at which they promoted their competing Pearl Life cookware; (2) as metatags on their websites at which they promoted their Pearl Life cookware; (3) as Google Internet search engine advertising keywords to direct consumers to their www.pearllife.com website; and (4) as visible video tags which act as indexes on their videos which they posted at various Internet video sharing websites including at least YouTube (www.youtube.com) and Tag Story (www.tagstory.com), and at a "blog" site at Daum (www.daum.net).

41. Defendants posted on their www.pearllife.com website a large photograph of Defendant Yang shaking hands with the original founder of Perma-Life cookware, Domenico Santorelli, and text below the photograph stating that Defendants entered into an "agreement" with Mr. Santorelli, falsely implying a connection between Defendants and Plaintiff's Perma-Life cookware.

42. Defendants never sold any Perma-Life cookware.

43. The text accompanying the photograph states that the company [i.e., the company formerly selling Perma-Life] has changed names to "New Life" and is now being operated by Mr. Santorelli's daughters.

44. Ms. Shim sold Perma-Life cookware continuously from 1986 to the present.

45. A significant number of consumers have actually been confused between Pearl Life and Perma-Life, and/or between Plaintiff and Defendants.

46. Defendants did not seek advice of counsel before using Plaintiff's Perma-Life trademark to promote their own Pearl Life cookware, nor did they seek advice of counsel on that issue even after this action was initiated against them.

47. Defendants did not respond to numerous cease-and-desist demands from Plaintiff that Defendants stop using Plaintiff's Perma-Life trademark in their advertising.

48. Any Conclusion of Law hereafter determined to be an undisputed fact is hereby made an undisputed fact.

CONCLUSIONS OF LAW

1. Any finding of fact which is hereafter determined to be a conclusion of law is hereby made a conclusion of law.

2. This Court has jurisdiction over the subject matter of this action under 28 U.S.C. §§ 1331 and 1338 and 15 U.S.C. § 1121.

3. Summary judgment or partial summary judgment is appropriate when there is no genuine issue as to any material fact and the moving party is entitled to judgment as a matter of law. FED. R. CIV. P. 56(a); see also *Celotex Corp. v. Catrett*, 477 U.S. 317, 322, 106 S. Ct. 2548, 91 L. Ed. 2d 265 (1986).

4. Summary judgment may be granted when "no reasonable jury could return a verdict for the nonmoving party." *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 248, 106 S. Ct. 2505, 91 L. Ed. 2d 202 (1986). The court must afford all reasonable

inferences and construe the evidence in the light most favorable to the non-moving party. *See id*. at 255. To defeat summary judgment, the evidence as properly construed must be sufficient for a reasonable jury to find for the nonmoving party; a mere scintilla of evidence will not suffice. *Id*. at 252.

5. An individual who personally directs a corporation in committing trademark infringement, or who personally commits those acts, is personally liable for that infringement. 15 U.S.C. §§ 1114 & 1127; *Mead Johnson & Co. v Baby's Formula Serv., Inc.*, 402 F.2d 19, 23 (5th Cir. 1968); *Wilden Pump & Eng'r Co. v. Pressed & Welded Prods. Co.*, 655 F.2d 984, 990 (9th Cir. 1981); *Chanel Inc. v. Italian Activewear of Florida Inc.*, 931 F.2d 1472, 1477-78, 19 U.S.P.Q.2d 1068 (11th Cir. 1991).

6. This is particularly true when a single individual is the corporation's sole shareholder, sole officer, and sole manager, and performs the infringing acts himself; that person will be individually liable for the intellectual property infringements committed by the corporation. *Playboy Enterprises Inc. v. Chen*, 45 U.S.P.Q.2d 1400, 1412 (C.D. Cal. 1997). Such personal liability does not depend on piercing the corporate veil. *Id.*

7. Defendant Yang as sole shareholder, sole officer, sole manager, the sole individual responsible for advertising for Defendant S T P America, Inc., and the person who personally committed the acts relevant to this action, is personally liable for all of those acts.

8. Plaintiff's trademark was federally registered from September 2, 1997 to June 6, 2008 as U.S. Trademark Reg. No. 2,092,777, and was federally registered as U.S. Trademark Reg. No. 3,564,113 from January 20, 2009 to the present.

9. At all relevant times, Plaintiff also had common law trademark rights and rights under the Lanham Act § 43(a), through continuous use in commerce, of the Perma-Life mark.

10. Under 15 U.S.C. § 1125(d)(1)(A), the Anti-Cybersquatting Consumer Protection Act (ACPA), a person is civilly liable for cyberpiracy (aka cybersquatting) to a trademark owner if that person (i) "has a bad faith intent to profit from a mark . . . and

(ii) registers, traffics in, or uses a domain name that . . . in the case of a mark that is distinctive at the time of registration of the domain name, is identical or confusingly similar to that mark." *Id*. The statute lists nine non-exclusive factors to be considered in deciding whether the domain registrant acted in "bad faith." Those factors are:

> (I) the trademark or other intellectual property rights of the person, if any, in the domain name;
>
> (II) the extent to which the domain name consists of the legal name of the person or a name that is otherwise commonly used to identify that person;
>
> (III) the person's prior use, if any, of the domain name in connection with the bona fide offering of any goods or services;
>
> (IV) the person's bona fide noncommercial or fair use of the mark in a site accessible under the domain name;
>
> (V) the person's intent to divert consumers from the mark owner's online location to a site accessible under the domain name that could harm the goodwill represented by the mark, either for commercial gain or with the intent to tarnish or disparage the mark, by creating a likelihood of confusion as to the source, sponsorship, affiliation, or endorsement of the site;
>
> (VI) the person's offer to transfer, sell, or otherwise assign the domain name to the mark owner or any third party for financial gain without having used, or having an intent to use, the domain name in the bona fide offering of any goods or services, or the person's prior conduct indicating a pattern of such conduct;
>
> (VII) the person's provision of material and misleading false contact information when applying for the registration of the domain name, the

person's intentional failure to maintain accurate contact information, or the person's prior conduct indicating a pattern of such conduct;

(VIII) the person's registration or acquisition of multiple domain names which the person knows are identical or confusingly similar to marks of others that are distinctive at the time of registration of such domain names, or dilutive of famous marks of others that are famous at the time of registration of such domain names, without regard to the goods or services of the parties; and

(IX) the extent to which the mark incorporated in the person's domain name registration is or is not distinctive and famous within the meaning of subsection (c).

15 U.S.C. § 1125(d)(1)(B).

11. It does not matter whether a trademark is a "dot com" or has a "dot country code" at the end, in a case such as this in which the defendant resides in the United States, the trademark owner resides in the United States, and the domain is accessed by United States customers. See *Playboy Enterprises, Inc. v. Chuckleberry Pub., Inc.*, 939 F. Supp. 1032 (S.D.N.Y. 1996) (holding defendants in contempt of court for registering and operating Italian domain www.playmen.it accessible by U.S. customers in violation of ACPA, where defendants had previously been adjudged to be infringers of the PLAYMEN trademark and had been ordered to cease infringing that mark).

12. Plaintiff is entitled to summary adjudication of cyberpiracy against Defendants with respect to Defendants' registration and attempts to sell the domain www.permalife.co.kr.

13. Plaintiff is entitled to summary adjudication of cyberpiracy against Defendants with respect to Defendants' registration and use of the domain www.perma-life.co.kr to promote and sell Defendants' Pearl Life cookware.

14. It is an infringement of a trademark to use in commerce any sufficiently similar word or device such that consumers are likely to be deceived regarding the source, affiliation, or sponsorship of the goods being offered for sale. See 15 U.S.C. § 1114(1) (infringement of a registered trademark) and 15 U.S.C. § 1125(a) (Lanham Act § 43(a), false designation and false descriptions, regardless of whether a registered mark is involved).

15. The core element of trademark infringement is whether customers are likely to be confused about the course or sponsorship of the products.

16. An eight-factor test – the so-called Sleekcraft factors (*AMF v. Sleekcraft Boats*, 599 F.2d 341, 348 (9th Cir. 1979)) – guides the assessment of whether a likelihood of confusion exists. The Sleekcraft factors are:

(1) the strength of the mark;
(2) proximity or relatedness of the goods;
(3) the similarity of the marks;
(4) evidence of actual confusion;
(5) the marketing channels used;
(6) the degree of care customers are likely to exercise in purchasing the goods;
(7) the defendant's intent in selecting the mark; and
(8) the likelihood of expansion into other markets.

17. The test is a fluid one and the plaintiff need not satisfy every factor, provided that strong showings are made with respect to some of them. *Perfumebay.com Inc. v. eBay Inc.*, 506 F.3d 1165, 1173, 84 U.S. P.Q.2d 1865, 1871 (9th Cir. 2007) (citing *AMF Inc. v. Sleekcraft Boats*, 599 F.2d 341 (9th Cir. 1979)) (citations and internal quotations omitted).

18. In the Internet context, the three most important Sleekcraft factors in evaluating a likelihood of confusion are:

(1) the similarity of the marks,

(2) the relatedness of the goods and services, and

(3) the parties' simultaneous use of the Web as a marketing channel.

Perfumebay.com, 506 F.3d at 1173.

19. When these factors suggest that confusion is likely, the other factors must weigh strongly against a likelihood of confusion to avoid the finding of infringement. On the other hand, if these three factors do not clearly indicate a likelihood of consumer confusion, then a district court can conclude the infringement analysis only by balancing all the Sleekcraft factors within the unique context of each case. *Perfumebay.com*, 506 F.3d at 1173-74 (citations and internal quotations omitted).

20. "[A]n intent to confuse customers is not required for a finding of trademark infringement." *Brookfield Communications Inc. v. West Coast Entertainment Corp.*, 174 F.3d 1036, 1059, 50 U.S.P.Q.2d 1545 (9th Cir. 1999). However, "[w]hen an alleged infringer knowingly adopts a mark similar to another's, courts will presume an intent to deceive the public." *Official Airline Guides, Inc. v. Goss*, 6 F.3d 1385, 1394 (9th Cir. 1993).

21. "[O]ne who intends to confuse is more likely to succeed in doing so." *Cable News Network LP, LLLP v. CNNews.com*, 177 F. Supp. 2d 506, 520 (E.D. Va. 2001).

22. "[E]vidence that the use of the two marks has already led to confusion is persuasive proof that future confusion is likely." *GoTo.com. Inc. v. Walt Disney Co.*, 202 F.3d 1199, 1208 (9th Cir. 2000) (quoting *Sleekcraft, supra*).

23. The person using another's trademark in commerce bears the burden of demonstrating that the use of the trademark is authorized by law, *i.e.*, is a fair use. *See* 15 U.S.C. § 1115(b).

24. As a general rule, using another party's trademark on an Internet website without authorization, and without legal justification, constitutes trademark infringement *per se*. *See, e.g.*, *Australian Gold, Inc. v. Hatfield*, 436 F.3d 1228, 1238, 77 U.S.P.Q.2d 1968, 1972 (10th Cir. 2006).

25. "Initial interest confusion" occurs when a user is initially attracted to a defendant's website or products based on an initial impression that the defendant sells the trademarked product, even if that user eventually realizes before purchasing that the products being offered are not the trademarked goods. Using another's trademark or a similar trademark in a way that causes initial interest confusion is one type of trademark infringement, and is actionable. *Australian Gold*, *supra*, 436 F.2d at 1238-39, 1240.

26. Using a competitor's trademark as an Internet search engine advertising keyword constitutes trademark infringement, absent particular circumstances that would negate any likelihood of confusion. *Id.; Storus Corp. v. Aroa Mktg. Inc.*, 87 U.S.P.Q.2d 1032 (N.D. Cal. 2008).

27. Using another party's trademark as website metatags without legal justification constitutes willful trademark infringement, and renders evidence of actual confusion unnecessary. *Brookfield Communications, Inc. v. West Coast Entertainment Corp.*, 174 F.3d 1036, 1064, 50 U.S.P.Q.2d 1545, 1565-66 (9th Cir. 1999); *Horphag Research Ltd. v. Pellegrini*, 337 F.3d 1036, 67 U.S.P.Q.2d 1532 (9th Cir. 2003); *Venture Tape Corp. v. McGills Glass Warehouse*, 540 F.3d 56, 88 U.S.P.Q.2d 1051 (1st Cir. 2008).

28. Copying another party's trademark exactly within a domain name "creates a presumption of likelihood of confusion among Internet users as a matter of law." *PETA v. Doughney*, 113 F. Supp. 2d 915, 919-20 (E.D. Va. 2000) (citing *N.Y. State Society of Certified Public Accountants v. Eric Louis Assoc., Inc.*, 79 F. Supp. 2d 331, 340 (S.D.N.Y. 1999)), aff'd, 263 F.3d 359 (4th Cir. 2001). Under such circumstances, the court

can grant summary judgment of trademark infringement. *Id.*; *see also Brookfield Communications*, *supra*, 174 F.3d at 1057.

29. Because bad faith intent to profit from another's trademark is a necessary element of a claim for cyberpiracy under the ACPA, using a domain that incorporates another's trademark in a way that is also likely to create consumer confusion also constitutes willful trademark infringement.

30. Defendants have infringed Plaintiff's Perma-Life trademark by each of the following acts, taken either individually or as a whole:

a. Registering the domain www.perma-life.co.kr and using it to promote their competing Pearl Life cookware;

b. Applying the metatags "perma life" and "permalife" to the website at www.perma-life.co.kr through which they sold their competing Pearl Life cookware;

c. Applying the term "permalife" as visible video tags (indexes) on videos promoting Pearl Life cookware which they posted on the Internet at video sharing websites YouTube (www.youtube.com) and Tag Story (www.tagstory.com), and on the "blog" site Daum (www.daum.net).

d. Purchasing the term "permalife" as an Internet search engine advertising keyword to direct Internet users to their website at www.pearllife.com at which they advertised their Pearl Life cookware.

31. Failure to seek a legal opinion of counsel as to infringement, especially after receiving a cease-and-desist letter, is probative evidence of an infringer's willfulness. *Pfizer Inc. v. Sachs*, 652 F. Supp. 2d 512, 523, 92 U.S.P.Q.2d 1835 (S.D.N.Y. 2009).

32. The marks "Pearl Life" and "PEARL-LIFE," when applied to the goods of stainless steel cookware, are confusingly similar to PERMA-LIFE for stainless steel cookware.

33. Where trademark infringement is found, it follows that the defendant is also liable for violating § 43(a) of the Lanham Act. *Conversive Inc. v. Conversagent Inc.*, 433 F. Supp. 2d 1079, 1093, 79 U.S.P.Q.2d 1284, 1293-94 (C.D. Cal. 2006); *Glow Indus., Inc. v. Lopez*, 252 F. Supp. 2d 962, 975 n.90 (C.D. Cal. 2002) ("The standard for Lanham Act unfair competition is the same as that for Lanham Act trademark infringement."); *Brookfield Communications, supra*, 174 F.3d at 1045 (both trademark infringement and unfair competition under the Lanham Act require establishing that the defendant is using a mark confusingly similar to a valid, protectable trademark of the plaintiff).

34. Defendants are liable for violating the Lanham Act § 43(a), for the same reasons as they are liable for trademark infringement.

35. Defendants are liable for violating the Lanham Act § 43(a) for the additional reasons that they:

(a) falsely told consumers that PEARL LIFE cookware is the same cookware as PERMA-LIFE cookware;

(b) falsely told consumers that their company is the same company as Plaintiff.

36. Trademark infringement under 15 U.S.C. § 1114(1) also constitutes trademark counterfeiting when the infringer uses a "counterfeit mark," which is defined as "a counterfeit of a mark that is registered on the principal register of the United States Patent and Trademark Office for such goods or services sold, offered for sale, or distributed and that is in use . . . ." 15 U.S.C. § 1116(d)(1)(B)(i).

37. Defendants' use of Plaintiff's trademark in the various ways listed above constitutes trademark counterfeiting. *See Aztar Corp. v. MGM Casino*, 59 U.S.P.Q.2d 1460, 1463 (E.D. Va. 2001) (finding defendants liable for both cyberpiracy and trademark counterfeiting, where defendant registered a domain name that incorporated plaintiff's trademark exactly, and used that trademark in visible text on the website as the name of that website).

DATED: October 28, 2011

Ralph Zarefsky

RALPH ZAREFSKY
UNITED STATES MAGISTRATE JUDGE

EXHIBIT 18

575 F.Supp.2d 1118
United States District Court,
D. Arizona.

SOILWORKS, LLC, an Arizona corporation,
Plaintiff/Counterdefendant/Counterclaimant,
v.
MIDWEST INDUSTRIAL SUPPLY, INC., an Ohio corporation authorized to do business in Arizona,
Defendant/Counterclaimant/Counterdefendant.

No. CV–06–2141–PHX–DGC.
|
Aug. 7, 2008.

Synopsis
Background: Soil erosion and dust control product distributor filed action against patent owner claiming false representation under Lanham Act, seeking declaratory judgment for patent invalidity and noninfringement, and claiming misappropriation of goodwill, tortious interference with business relationship and expectancy, and common law unfair competition. Owner counterclaimed for trademark infringement, false designation of origin, unfair competition, and false advertising under Lanham Act, declaratory judgment for patent validity and infringement, common law unfair competition, and unjust enrichment. Parties filed motions for summary judgment.

Holdings: The District Court, David G. Campbell, J., held that:

[1] fact issue existed as to whether false or misleading exclusive source statements in patent owner's press release to marketplace were made in bad faith;

[2] false or misleading exclusive source statements in press release that promoted products of patent owner to soil erosion and dust control industry at large constituted commercial advertisement;

[3] distributor's damages were speculative on claim for tortious interference with business relationship and expectancy;

[4] distributor engaged in trademark infringement, false designation of origin, and unfair competition;

[5] relative weakness of mark was of diminished importance on trademark infringement, false designation of origin, and unfair competition claims;

[6] competitor's statements that it was "innovator" of product that was made from "proprietary ingredients" and "revolutionary state-of-the-art innovation" were not actionable as false advertising;

[7] distributor's statement that it distributed synthetic product, on basis that it contained refined component, was not literally false; and

[8] competitor engaged in unfair competition in violation Arizona law.

Motions granted in part and denied in part.

Attorneys and Law Firms

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ORDER

DAVID G. CAMPBELL, District Judge.

Soilworks, LLC and Midwest Industrial Supply, Inc. ("Midwest") are competitors. Both companies distribute soil erosion and dust control products throughout the United States. Soilworks' products include Durasoil and Soiltac. Midwest's products include EK35, EnviroKleen, and Soil–Sement.

In July 2006, Midwest was issued two United States Patents, Nos. 7,074,266 ("#266 Patent") and 7,081,270

("#270 Patent"), for EK35 and EnviroKleen. On June 8, 2006, prior to the issuance of the patents, Midwest sent Soilworks a letter informing it of the pending patent applications, expressing concern that Durasoil may infringe the patents when issued, and requesting that Soilworks review the claims in the patent applications in an effort to resolve any issues regarding the sale of Durasoil. Soilworks responded ten days later, stating that it was not aware of any reason why the sale of Durasoil would infringe Midwest's patent rights. On July 27, 2006, Midwest sent letters to one of Soilworks' customers, Polar Supply Company ("Polar"), regarding possible infringement of the #266 Patent ("Polar Letters"). Midwest also issued a press release in July 2006 regarding its patents ("Press Release").

Soilworks then commenced this action for injunctive relief and damages. Soilworks asserts the following claims: false representation under the Lanham Act, declaratory judgment for patent invalidity and noninfringement, misappropriation of goodwill, tortious interference with business relationship and expectancy, and common law unfair competition. Dkt. 1, 22. Midwest filed a counterclaim asserting declaratory judgment, Lanham Act, and state law claims. Specifically, Midwest asserts claims for trademark infringement, false designation of origin, unfair competition, and false advertising under the Lanham Act, declaratory judgment for patent validity and infringement, common law unfair competition, and unjust enrichment. Dkt. 16, 35.

The parties have filed motions for summary judgment. Dkt. 78–79. Midwest seeks summary judgment on all of its ***1124** claims except unjust enrichment and declaratory judgment for infringement, and on all of Soilworks' claims. Dkt. # 78 at 2–3 & n. 1. Soilworks seeks summary judgment on all of Midwest's claims. Dkt. # 79 at 1. For reasons stated below, the Court will grant the motions in part and deny them in part. [1]

I. Summary Judgment Standard.

A party seeking summary judgment "always bears the initial responsibility of informing the district court of the basis for its motion, and identifying those portions of [the record] which it believes demonstrate the absence of a genuine issue of material fact." *Celotex Corp. v. Catrett,* 477 U.S. 317, 322, 106 S.Ct. 2548, 91 L.Ed.2d 265 (1986). Summary judgment is appropriate if the evidence, viewed in the light most favorable to the nonmoving party, shows "that there is no genuine issue as to any material fact and that the movant is entitled to judgment as a matter of law." Fed.R.Civ.P. 56(c). Only disputes over facts that might affect the outcome of the suit will preclude the entry of summary judgment, and the disputed evidence must be "such that a reasonable jury could return a verdict for the nonmoving party." *Anderson v. Liberty Lobby, Inc.,* 477 U.S. 242, 248, 106 S.Ct. 2505, 91 L.Ed.2d 202 (1986).

II. Soilworks' Lanham Act Claim for False Representation (Count I).

[1] [2] Soilworks asserts a claim for false representation under the Lanham Act, 15 U.S.C. § 1125(a). Dkt. # 1 ¶¶ 15–19. To prevail on such a claim, the plaintiff must show that (1) a false or misleading statement of fact was made about a product, (2) the statement was made in a commercial advertisement, (3) the statement actually deceived or had the tendency to deceive a substantial segment of its audience, (4) the deception was material, in that it was likely to influence purchasing decisions, (5) the defendant caused the statement to enter interstate commerce, and (6) the plaintiff has been or is likely to be injured as a result of the statement, either by direct loss of sales or by a lessening of the goodwill associated with its products. *See* 15 U.S.C. § 1125(a)(1)(B); *Southland Sod Farms v. Stover Seed Co.,* 108 F.3d 1134, 1139 (9th Cir.1997); *Newcal Indus., Inc. v. Ikon Office Solution,* 513 F.3d 1038, 1052 (9th Cir.2008).

[3] Citing the Federal Circuit's decision in *Zenith Electronics Corp. v. Exzec, Inc.,* 182 F.3d 1340 (Fed.Cir.1999), the parties agree that because the alleged false representations were made by Midwest in support of its patent rights, Soilworks must also show bad faith on the part of Midwest. Dkt. 78–2 at 18, 89 at 12. *Zenith* added a bad faith requirement to Lanham Act claims asserted against patentees in order to "give effect both to the rights of patentees as protected by the patent laws under normal circumstances, and to the salutary purposes of the Lanham Act to promote fair competition in the marketplace." 182 F.3d at 1353–54. This Circuit recently has adopted the holding in *Zenith. See Fisher Tool Co. v. Gillet Outillage,* 530 F.3d 1063, 1068 (9th Cir.2008).

In seeking to eliminate the false representation claim by summary judgment, Midwest states that the claim is based on the two identical Polar Letters, one sent to Polar's president and the other to its sales manager.

Dkt. 78–2 at 18, 80 ¶ 72, 91 ***1125** at 10. The letters informed Polar of the issuance of the #266 Patent and that Midwest had "invented the category of synthetic organic dust control agents, more commonly known as EK35® and EnviroKleen®." Dkt. 80–14, 80–15. The letters then stated:

> There are a number of imitators that claim to be synthetic organic dust control agents; however, none of those competitors can have the formulation or method as that of EK35® or EnviroKleen®. The granting of the U.S. Patent now allows Midwest to pursue those who make, use, sell, offer for sale and/ or import knock-off or imitators of EK35® or EnviroKleen®.

Id.

According to Midwest, the letters simply advised Polar about the issuance of the #266 Patent and Midwest's ability to prosecute infringers. The letters do not constitute bad faith as a matter of law, Midwest contends, because they were "entirely consistent with [Midwest's] right to inform a potential infringer of the existence and scope of its patents[.]" Dkt. 78–2 at 19–20, 91 at 11. Midwest further contends that the statements made in the letters were not legally or factually inaccurate and that the letters were not published sufficiently to constitute a commercial advertisement for purposes of the false representation claim. Dkt. # 78–2.

Soilworks asserts that its claim is not based solely on the Polar Letters. Dkt. # 90 ¶ 72. Soilworks asserts that Midwest represented in its Press Release that competitors could not design around Midwest's patents and Midwest therefore was the exclusive source of synthetic organic dust control products. Soilworks argues that these statements are indicative of bad faith under *Zenith,* are false or misleading, and clearly were made in a commercial advertisement. Dkt. # 89 at 11–15. Midwest does not address these arguments in its reply.

A. Bad Faith.

Zenith addressed two types of marketplace statements by patentees: those alleging infringement of the patent and those alleging that competitors cannot design around the patent. *Zenith* made clear that "[b]oth statements, if made in bad faith, are damaging to competition and are not the type of statements protected by the patent laws." 182 F.3d at 1354. The latter kind of statements—known as "exclusive source" statements—are "inherently suspect." *Id.* "They are suspect not only because with sufficient effort it is likely that most patents can be designed around, but also because such a statement appears nearly impossible to confirm *a priori." Id.*

Midwest's Press Release reasonably can be construed as making exclusive source statements. The heading of the publication announces the issuance of Midwest's patents and states that Midwest has gained "exclusive control" over the synthetic organic dust control category of products. Dkt. # 79–4 at 4. The fourth paragraph states that Midwest has "secured *exclusive rights* to the products and methods that define the [synthetic organic dust control] category" and that Midwest's patents "provide it with the *exclusive right* to manufacture and sell synthetic organic soil stabilization and dust suppressant technology [.]" *Id.* (emphasis added). The next paragraph suggests that competitors cannot design around the patents: "Midwest's competitors may claim to offer synthetic organic dust control technology, but only Midwest can offer the products and methods that define this technology. Those competitors are either not supplying synthetic organic dust control technology ***1126** ... or they are infringing Midwest's patents." *Id.*

A patentee who "exaggerates the scope and validity of his patent, thus creating the false impression that the [patentee] is the exclusive source of [a] product, may overstep the boundaries set in the Lanham Act." *Mitsubishi Elec. Corp. v. IMS Tech., Inc.,* No. 96 C 499, 1997 WL 630187, at *8 (N.D.Ill. Sept.30, 1997); *see William H. Morris Co. v. Group W, Inc.,* 66 F.3d 255, 257–58 (9th Cir.1995) (" '[T]he Lanham Act encompasses more than blatant falsehoods. It embraces innuendo, indirect intimations, and ambiguous suggestions evidenced by the consuming public's misapprehension of the hard facts underlying an advertisement.' ") (citation omitted). Construed in Soilworks' favor, Midwest's Press Release can be interpreted as creating the impression that Midwest is the exclusive source of synthetic organic dust control products. Midwest's argument that there is no evidence of bad faith on its part is therefore without merit. *See Zenith,* 182 F.3d at 1354; *see also Newcal,* 513 F.3d at 1054 ("[T]he question of IKON's knowledge and intent is a factual question."); *Braxton–Secret v. A.H. Robins Co.,* 769 F.2d 528, 531 (9th Cir.1985) ("Questions involving a person's state of mind ... are generally factual issues inappropriate for resolution by summary judgment."). [2]

Relying on *Globetrotter Software, Inc. v. Elan Computer Group, Inc.,* 362 F.3d 1367, 1375 (Fed.Cir.2004), Midwest contends that "[t]he bad faith standard of *Zenith* cannot be satisfied 'in the absence of a showing that the claims asserted were objectively baseless.' " Dkt. # 78–2 at 19. *Globetrotter,* however, does not control this case. *See CollegeNet, Inc. v. Xap Corp.,* No. CV–03–1229–HU, 2004 WL 2303506, at *12 (D.Or. Oct.12, 2004). The statements at issue in *Globetrotter* were pre-litigation communications made to an alleged infringer. 362 F.3d at 1368, 1370; *see also GP Indus., Inc. v. Eran Indus., Inc.,* 500 F.3d 1369, 1371, 1374 (Fed.Cir.2007) (patentee "gave notice of its patent rights and its intent to enforce them"). *Globetrotter* expressly declined to decide "whether the objectively baseless standard applies to statements in the context of publicizing a patent through means other than pre-litigation communications." 362 F.3d at 1377 n. 9. The representations in Midwest's Press Release, like those at issue in *Zenith,* reasonably can be construed as marketplace statements suggesting that competitors are incapable of designing around Midwest's patents. *See Zenith,* 182 F.3d at 1343–44, 1349. "Globetrotter's objectively baseless standard does not apply to [this type of] marketplace conduct[.]" *CollegeNet,* 2004 WL 2303506, at *14.

B. Falsity.

Soilworks argues that the exclusive source statements contained in the Press Release were not only made in bad faith, but also are false or misleading. Dkt. # 89 at 15. Midwest does not address this argument in its reply. *See* Dkt. # 91. Nor has Midwest otherwise presented evidence showing that competitors are in fact incapable of designing around its patents. Midwest has therefore failed to demonstrate the absence of a genuine issue of material fact with respect to this element of Soilworks' false representation claim. *See Finnsugar Bioproducts, Inc. v. Amalgamated Sugar Co.,* No. 97 C 8746, 2002 WL 31207213, at * 1 n. 1 (N.D.Ill. Oct.2, 2002) (noting that exclusive source statements made to potential customers "violate the Lanham Act because they create the ***1127** false impression that the patent holder is the exclusive source of a product and an alleged infringer is unable to design around a patent").

C. Commercial Advertisement.

[4] [5] Soilworks argues that the Press Release was disseminated sufficiently to the relevant purchasing public to constitute a commercial advertisement for purposes of the false representation claim. Dkt. # 89 at 15. The Court agrees. To satisfy the commercial advertisement element, "representations need not be made in a 'classic advertising campaign,' but may consist instead of more informal types of 'promotion[.]' " *Newcal,* 513 F.3d at 1054 (quoting *Coastal Abstract Serv., Inc. v. First Am. Title Ins. Co.,* 173 F.3d 725, 735 (9th Cir.1999)). Midwest does not dispute that the Press Release promoted its products to the soil erosion and dust control industry at large.

D. False Representation Summary.

Midwest's Press Release constitutes a commercial advertisement. There are triable issues as to whether statements contained in the Press Release were made in bad faith and are false. Midwest does not contend that the other elements of the false representation claim cannot be met. The Court accordingly will deny Midwest's request for summary judgment on Count I of Soilworks' complaint.

III. Soilworks' Misappropriation of Goodwill Claim (Count III).

Soilworks asserts a claim for misappropriation of goodwill in count three of the complaint. Dkt. # 1 ¶¶ 24–26. Midwest previously sought dismissal of the claim on the ground that it is not an independent cause of action under Arizona law. Dkt. # 8 at 15. Soilworks responded that it intended to bring the claim under the Lanham Act. Dkt. # 11 at 16. Rather than dismissing the claim with leave to amend, the Court construed the claim as part of Soilworks' Lanham Act claim asserted in Count I of the complaint. Dkt. # 13 at 5.

Midwest notes in its summary judgment motion that misappropriation of goodwill is not a separate cause of action under the Lanham Act. Dkt. # 78–2 at 18 n. 4. Soilworks does not address this argument in its response. *See* Dkt. # 89.

[6] Misappropriation of goodwill is simply "an element of trademark, trade dress, and unfair/deceptive claims; it is not a claim in and of itself." *Rainbow Play Sys., Inc. v. GroundScape Techs., LLC,* 364 F.Supp.2d 1026, 1039 (D.Minn.2005); *see Playboy Enters., Inc. v. Netscape Communications Corp.,* 354 F.3d 1020, 1025 (9th Cir.2004) (trademark infringement results in the misappropriation of the mark's goodwill); *Brookfield Communications, Inc. v. West Coast Entm't Corp.,* 174 F.3d 1036, 1057 (9th Cir.1999) (same). The Court accordingly will grant summary judgment in favor of Midwest on Count III of Soilworks' complaint.

IV. Soilworks' Tortious Interference Claim (Count IV).

[7] **[8]** Soilworks asserts a claim for tortious interference with business relationship and expectancy. Dkt. # 1 ¶¶ 27–30. To establish tortious interference, Soilworks must show (1) the existence of a valid business relationship or expectancy, (2) Midwest's knowledge of the relationship or expectancy, (3) intentional and improper interference by Midwest causing a breach of the relationship or expectancy, and (4) resulting damage to Soilworks. *See Antwerp Diamond Exch. of Am., Inc. v. Better Bus. Bur. of Maricopa County, Inc.,* 130 Ariz. 523, 637 P.2d 733, 740 (1981); ***1128** *Wagenseller v. Scottsdale Mem'l Hosp.,* 147 Ariz. 370, 710 P.2d 1025, 1043 (1985), *superseded in other respects by* A.R.S. § 23–1501.

Midwest does not dispute that there was a valid business relationship between Soilworks and Polar and that Midwest had knowledge of the relationship. Rather, Midwest argues that Soilworks has presented no evidence that Midwest interfered with the relationship, that Midwest's conduct was improper, or that Soilworks has suffered any harm. Dkt. # 78–2.

With respect to the element of harm, Midwest claims that Soilworks cannot articulate, let alone prove, the alleged damages it has suffered as a result of the Polar Letters. *Id.* at 23. Midwest states that Soilworks' corporate officers, Chad and Dorian Falkenberg, have provided no factual support for the allegation that Soilworks has been harmed by the Polar Letters. *Id.* (citing Dkt. # 80 ¶¶ 77–85). Midwest further states that Soilworks has produced no documents or other information in support of its alleged damages. *Id.*

Soilworks does not dispute that Dorian Falkenberg testified that she does not know whether Soilworks has lost any business because of the Polar Letters. Dkt. 80, 90 ¶¶ 80. Relying solely on the testimony of Chad Falkenberg, Soilworks asserts that the Polar Letters caused it to lose "several bids and/or sales of its product to Polar," including a bid by the Alaska Department of Transportation ("ADOT"). Dkt. # 89 at 16. But Mr. Falkenberg admitted in his deposition that he did not know whether the ADOT bid was lost because of the Polar Letters. Dkt. # 80–16 at 35. Mr. Falkenberg was unable to articulate any facts regarding the ADOT bid or any other bid or sale allegedly lost as a result of Midwest's conduct. *Id.* at 27–35. Nor was he able to estimate the amount of damages allegedly caused by Midwest's conduct. *Id.* at 29–31.

[9] To prevail on its tortious interference claim, Soilworks must establish its damages with "reasonable certainty." *S. Union Co. v. Southwest Gas Corp.,* 180 F.Supp.2d 1021, 1050 (D.Ariz.2002) (citing *Rancho Pescado, Inc. v. Northwestern Mut. Life Ins. Co.,* 140 Ariz. 174, 680 P.2d 1235, 1244–47 (1984)). "Damages that are speculative, remote or uncertain may not form the basis of a judgment." *Coury Bros. Ranches, Inc. v. Ellsworth,* 103 Ariz. 515, 446 P.2d 458, 464 (1968); *see Eastman Kodak Co. v. S. Photo Materials Co.,* 273 U.S. 359, 379, 47 S.Ct. 400, 71 L.Ed. 684 (1927) (a "reasonable basis of computation" must exist to award damages); *Lindy Pen Co. v. Bic Pen Corp.,* 982 F.2d 1400, 1407 (9th Cir.1993) ("[D]amages which result from a tort must be established with reasonable certainty."). Soilworks' evidence falls far short of meeting the reasonable certainty standard. The Court accordingly will grant summary judgment in favor of Midwest on Count IV of Soilworks' complaint. [3]

V. Soilworks' Unfair Competition Claim (Count VI). [4]

[10] **[11]** Midwest seeks summary judgment on Soilworks' unfair competition claim. Dkt. # 78–2 at 24. The common law doctrine of unfair competition "encompasses several tort theories, such as trademark infringement, false advertising, 'palming off,' and misappropriation." *Fairway Const., Inc. v. Ahern,* 193 Ariz. 122, 970 P.2d 954, 956 (1998). Midwest does not address these torts, but instead merely ***1129** asserts that "Soilworks cannot demonstrate that a patentee's notification of its intellectual property rights and intent to enforce them, such as the [Polar Letters], constitutes unfair competition." Dkt. # 78–2 at 24.

As the party seeking summary judgment, Midwest has the initial burden of informing the Court of the basis for its motion and identifying those portions of the record that demonstrate the absence of a genuine issue of material fact. *See Celotex,* 477 U.S. at 322, 106 S.Ct. 2548. Midwest has not met this burden. The Court accordingly will deny Midwest's request for summary judgment on Count VI of Soilworks' complaint.

VI. Midwest's Lanham Act Claims for Trademark Infringement, False Designation of Origin, and Unfair Competition (Count I).

[12] Midwest asserts three Lanham Act claims in Count I of its counterclaim: trademark infringement, false designation of origin, and unfair competition. Dkt. # 16 ¶¶ 17–26. According to the counterclaim, Midwest's claims arise from Soilworks' alleged use of the following trademarks: Soil–Sement, EnviroKleen, EK35, Road Oyl, Road Pro NT, Haul Road Dust Control, Dustfyghter, Diamond Dr, Arena Rx, Base–Bldr, and ROAD–BLDR. Dkt. # 16 ¶¶ 7, 18–20. Soilworks argues that it is entitled to summary judgment because Midwest has presented no evidence that Soilworks used any of these marks in commerce. Dkt. # 79 at 6. In response, Midwest claims only that Soilworks has used the Soil–Sement mark. Dkt. # 88 at 7; *see* Dkt. # 78–2 at 12. The Court accordingly will grant summary judgment in favor of Soilworks with respect to the other marks. *See* 15 U.S.C. §§ 1114(1), 1125(a)(1) (requiring commercial use of mark); *Bosley Med. Inst., Inc. v. Kremer,* 403 F.3d 672, 676 (9th Cir.2005) (Lanham Act claims "are subject to a commercial use requirement"); *see also* Fed.R.Civ.P. 56(e) (the party opposing summary judgment may not rest upon the mere allegations of the party's pleadings, but "must set forth specific facts showing that there is a genuine issue for trial").

Midwest seeks summary judgment on its Lanham Act claims. It is undisputed that Midwest's Soil–Sement mark is a valid, protectable trademark. Dkt. 80, 90 ¶¶ 6. It also is undisputed that Soilworks, without Midwest's permission, uses the phrase "soil sement" in keyword advertising on an Internet search engine and uses variations of the phrase in metatags for its websites. *Id.* ¶¶ 38–43. Keywords allow advertisers to target individuals by linking advertisements or websites to pre-identified terms. Persons using those terms in an Internet search will be presented with advertisements for Soilworks products. *See Brookfield Communications, Inc. v. West Coast Entm't Corp.,* 174 F.3d 1036, 1045 (9th Cir.1999). Metatags are unseen computer code used by search engines to determine the content of websites in order to direct searchers to relevant sites. *Id.* When consumers put "soil sement" or variations of that phrase into an Internet search engine, the metatags will result in the search engine identifying Soilworks websites as part of the search results. In its use of keywords and metatags, Soilworks thus capitalizes on Midwest's "Soil–Sement" trademark to attract clients to its websites. Courts have held that such use constitutes commercial use for purposes of the Lanham Act. *See id.* at 1065 (metatags); *Playboy Enters., Inc. v. Netscape Communications Corp.,* 354 F.3d 1020, 1024–26 (9th Cir.2004) (keywords); *see also* Dkt. # 78–2 at 12 & n. 2 (citing cases).

[13] **[14]** Although "[t]he core element of trademark infringement is whether the ***1130** similarity of the marks is likely to confuse customers about the source of the products," *Interstellar Starship Servs., Ltd., v. Epix, Inc.,* 304 F.3d 936, 942 (9th Cir.2002), the Ninth Circuit and other courts have recognized a variation of trademark infringement that does not require such confusion. "Under the 'initial interest confusion' theory of trademark liability, 'source confusion' need not occur[.]" *Storus Corp. v. Aroa Mktg., Inc.,* No. C–06–2454 MMC, 2008 WL 449835, at *4 (N.D.Cal. Feb.15, 2008). Rather, initial interest confusion occurs when the defendant uses the plaintiff's mark "in a manner calculated 'to capture initial consumer attention'[.]" *Brookfield,* 174 F.3d at 1062 (quoting *Dr. Seuss Enters. v. Penguin Books USA, Inc.,* 109 F.3d 1394, 1405 (9th Cir.1997)). Once the consumer's attention is captured, the consumer might well realize that he or she has arrived at the defendant's (and not the plaintiff's) website, and yet might stay there and purchase the defendant's similar products. Although a sale procured in this manner does not ultimately result from the consumer's confusion as to the source of the products, it is procured nonetheless through the defendant's unfair use of the plaintiff's trademark and associated goodwill. Thus, "the wrongful act is the defendant's use of the plaintiff's mark to 'divert' consumers to a website that 'consumers know' is not [the plaintiff's] website." *Storus,* 2008 WL 449835, at *4 (quoting *Brookfield,* 174 F.3d at 1062); *see Playboy Enters.,* 354 F.3d at 1025 ("Although dispelled before an actual sale occurs, initial interest confusion impermissibly capitalizes on the goodwill associated with a mark and is therefore actionable trademark infringement."); *see also* *Brookfield,* 174 F.3d at 1057, 1062–65. [5]

Ninth Circuit cases have varied in their analysis of how initial interest confusion is to be established in metatag and keyword cases. The court in *Brookfield* stated that the traditional eight-factor test for assessing consumer confusion—commonly known as the *Sleekcraft* factors —"is not well-suited for analyzing the metatags issue." 174 F.3d at 1062 n. 24. The court did not apply the *Sleekcraft* analysis in its metatag ruling, but instead held that "the Lanham Act bars [a defendant] from including in its metatag any term confusingly similar with [the plaintiff's] marks." *Id.* at 1065. A later Ninth Circuit case applied the traditional *Sleekcraft* analysis in a keyword initial interest confusion case. *See Playboy Enters.,* 354 F.3d at 1026–29. Although this Court agrees that the *Sleekcraft* analysis is not perfectly suited to analyzing initial interest confusion in metatag and keyword cases, some of the factors clearly are relevant and helpful.

[15] **[16]** The*Sleekcraft* factors are: (1) the similarity of the marks, (2) the relatedness of the goods, (3) the marketing channels used, (4) the defendant's intent in selecting the mark, (5) the strength of the mark, (6) the degree of care likely to be exercised by purchasers, (7) evidence of actual confusion, and (8) the likelihood of expansion in product lines. *See Interstellar,* 304 F.3d at 942 (citing *AMF Inc. v. Sleekcraft Boats,* 599 F.2d 341, 346 (9th Cir.1979)). "This eight-factor test is pliant, and the relative import of each factor is case specific." *Id.* (citing *Brookfield,* 174 F.3d at 1054). For example, and significantly for this case, the three most important factors in the context of the ***1131** Internet are the similarity of the marks, the relatedness of the goods, and the use of the Internet as a marketing channel. *See id* (citing *GoTo.com, Inc. v. Walt Disney Co.,* 202 F.3d 1199, 1205 (9th Cir.2000)); *Brookfield,* 174 F.3d at 1054 n. 16.

The first factor of the "internet trinity," similarity of the marks, weighs in favor of Midwest in this case. Soilworks uses the phrase "soil sement" in keyword advertising on the search engine Google. Dkt. 80, 90 ¶ 38. The phrase "soil sement" is nearly identical to Midwest's Soil–Sement mark. Soilworks also uses the phrase "sement soil" in a metatag for its website www.soiltac.com, and the words "sement" and "soil" in close proximity in a metatag for its website www.soilworks.com. *Id.* ¶¶ 40–41. These terms are similar to Midwest's Soil–Sement mark in spelling, sound, and meaning. When used in Internet searches as metatags, they clearly are designed to divert persons interested in Midwest's mark to Soilworks' websites.

The second factor concerns the relatedness of the parties' goods. It is undisputed that Soilworks and Midwest market and sell competing products. Dkt. # 80, 90 ¶¶ 28–29.

The third factor considers the marketing channels used. Soilworks and Midwest both use the Internet to market their products. *Id.* ¶¶ 30–31.

These factors show that Soilworks' use of "soil sement" and similar phrases in keywords and metatags has the effect of connecting web customers familiar with Midwest's Soil–Sement mark to Soilworks' websites. Soilworks is using the Midwest's mark, in the Internet where Midwest does business, to divert potential customers to Soilworks' websites. Thus, although the *Sleekcraft* factors are designed primarily to evaluate the likelihood of source confusion—a type of confusion not necessary for initial interest confusion cases—the Court finds these factors relevant in showing the effect of Soilworks' conduct. It is precisely the effect proscribed by *Brookfield*—the use of Midwest's mark to divert initial consumer interest to Soilworks and its products.

Soilworks does not explicitly address these or other *Sleekcraft* factors. Rather, Soilworks relies on *Brookfield* and *Designer Skin, LLC v. S & L Vitamins, Inc.,* No. CV–05–3699–PHX–JAT, 2008 WL 2116646 (D.Ariz. May 20, 2008), for the proposition that the "internet trinity" standard does not apply to "metatag/keyword cases" and that the correct likelihood of confusion standard requires a showing of deception. Dkt. 89 at 4–5, 92 at 2–4. The Court does not agree that *Brookfield* requires a showing of deception. The facts of *Brookfield,* where one company used another company's trademark "MovieBuff" as a metatag, did not involve deception of consumers. 174 F.3d at 1062–65. And as noted above, the wrong in a metatag initial interest confusion case is not that the consumer is deceived into believing that he is purchasing the plaintiff's products when in fact he is purchasing defendant's, but instead is the diversion of the consumer's initial attention to the defendant's website using the plaintiff's trademark and goodwill. When accomplished through the use of key words or metatags on the Internet, this wrongful conduct may involve no deception of the consumer. The consumer is simply led to the defendant's website through the unseen keywords and metatags the defendant has purchased on the web. [6]

***1132 [17]** Soilworks emphasizes that Midwest has presented no evidence of actual confusion on the part of consumers. Dkt. 89 at 4–5, 92 at 2–4. But the Court finds the "actual confusion" prong of the *Sleekcraft* analysis to be less relevant in a metatag initial interest confusion case. As noted above, the wrong in such a case does not result from actual consumer confusion over the source of products, but from the diversion of potential customers to the defendant's site through the use of the plaintiff's mark. To the extent that the doctrine adopted in *Brookfield* requires a showing of initial confusion —that the consumer's initial attention was diverted to the defendant's website through confusion—the Court concludes that it has been established here. A person typing "soil sement" into a search engine presumably would be somewhat familiar with Midwest's product and would be looking for the product or its maker, and yet would be directed by the keywords and metatags to Soilworks' websites. The confusion—thinking one would be connected to Midwest when in fact Soilworks' websites also appear in the search results—would entirely be caused by Soilworks' use of Midwest's mark.

The remaining *Sleekcraft* factors—Soilworks' intent, the strength of Midwest's mark, the degree of consumer care, and the likelihood of product expansion—either favor Midwest or are of little import in the initial interest confusion analysis. Soilworks admits that its intent in using the phrase "soil sement" on the Internet was to trade off Midwest's goodwill in its Soil–Sement mark by diverting potential customers to Soilworks' Soiltac product. Dkt. 80, 90 ¶¶ 39, 42.

[18] [19] With respect to the strength of the Soil–Sement mark, Midwest's federal registration of the mark "is conclusive evidence that the mark is non-descriptive or has acquired secondary meaning." *KP Permanent Make–Up, Inc. v. Lasting Impression I, Inc.,* 408 F.3d 596, 606 (9th Cir.2005). Moreover, even if the Soil–Sement mark were found to be relatively weak, this factor is of "diminished importance" because the parties' products are closely related and the marks used are nearly identical. *Brookfield,* 174 F.3d at 1058–59.

The degree of consumer care is not dispositive because this factor considers whether consumers are likely to avoid source confusion through the exercise of care, a consideration not directly relevant in an initial interest confusion case. And the remaining factor, likelihood of product expansion, is "relatively unimportant" because Midwest and Soilworks are direct competitors. *Id.* at 1060.

In sum, the undisputed evidence in this case establishes that Soilworks diverts the initial attention of potential Internet customers to its websites by using Midwest's Soil–Sement trademark in keywords and metatags. Because there is no dispute that Soil–Sement is a valid, protectable mark and that Soilworks uses the mark in commerce, the Court will grant summary judgment in Midwest's favor with respect to liability—not damages or other relief—on the Lanham Act claims asserted in Count I of the counterclaim with respect to Soil–Sement. *See Flow Control,* 278 F.Supp.2d at 1199 (granting summary judgment in favor of the mark holder because "metatagging a website with a competitor's mark creates 'initial interest confusion' ***1133** in violation of the Lanham Act") (citing *Brookfield,* 174 F.3d at 1057, 1063); *Horphag Research Ltd. v. Pellegrini,* 337 F.3d 1036, 1040 (9th Cir.2003) ("Because the [defendant] admits to using Horphag's Pycnogenol trademark and specifically admits to using the Pycnogenol mark in the meta-tags for his websites, his use satisfies the terms of trademark infringement in the first instance."). As noted above, the Court will grant summary judgment in favor of Soilworks with respect to the other marks alleged in Midwest's counterclaim. [7]

VII. Midwest's Lanham Act Claim for False Advertising (Count II).

[20] Midwest asserts a Lanham Act claim for false advertising in Count II of its counterclaim. Dkt. # 16 ¶¶ 27–32. Midwest contends that Soilworks has falsely advertised that it is the "innovator" and "manufacturer" of Durasoil, that Durasoil is "synthetic" and "oil-sheen free," and that Durasoil is made from "proprietary ingredients" and "revolutionary state-of-the-art innovation." Dkt. 78–2 at 9–10 & n. 3, 88 at 11–13. Soilworks argues that Midwest has failed to present evidence sufficient to establish one or more elements of the claim for false advertising. Dkt. 79 at 7–11, 89 at 8–11, 92 at 4–11; *see supra* § II (setting forth elements of the claim). The Court will address each alleged false statement.

A. Soilworks is an Innovator and Durasoil is made from Proprietary Ingredients and Revolutionary State–of–the–Art Innovation.

[21] [22] [23] Soilworks argues that these statements constitute mere "puffery." Dkt. # 92 at 7. Puffery " 'is exaggerated advertising, blustering, and boasting upon which no reasonable buyer would rely and is not actionable under [the Lanham Act].' " *Southland,* 108 F.3d at 1145 (citation omitted). "While product superiority claims that are vague or highly subjective often amount to nonactionable puffery, 'misdescriptions of specific or absolute characteristics of a product are actionable.' " *Id.* (quoting *Cook, Perkiss & Liehe, Inc. v. N. Cal. Collection Serv., Inc.,* 911 F.2d 242, 246 (9th Cir.1990)). "[T]he determination of whether an alleged misrepresentation 'is a statement of fact' or is instead 'mere puffery' is a legal question [.]" *Newcal,* 513 F.3d at 1053.

The Court concludes that Soilworks' statements are "general, vague and unspecified assertions, constituting mere 'puffery' upon which a reasonable consumer could not rely." *Glen Holly Entm't, Inc. v. Tektronix, Inc.,* 352 F.3d 367, 379 (9th Cir.2003). Courts have found that the word "innovative" is "not specific, not concrete, not measurable, and therefore puffery." *Rosenthal Collins Group, LLC v. Trading Techs. Int'l, Inc.,* No. 05 C 4088, 2005 WL 3557947, at *10 (N.D.Ill.Dec.26, 2005). Courts have also held that "the generalized and vague statements of product superiority such as ... 'more innovative than competing machines' are non-actionable puffery." *Oestreicher v. Alienware Corp.,* 544 F.Supp.2d 964, 973 (N.D.Cal.2008). This Court similarly concludes that references to "proprietary ingredients" are sufficiently imprecise to constitute puffery. *Cf. Hilderman v. Enea TekSci, Inc.,* 551 F.Supp.2d 1183, 1199 (S.D.Cal.2008) (equating use of "proprietary" ***1134** with "vague puffery" in trade secret claim). The Court will grant summary judgment in favor of Soilworks with respect to this part of Midwest's false advertising claim. [8]

B. Soilworks' is a Manufacturer of Durasoil.

[24] [25] Soilworks states on its website that it is a "manufacturer" of Durasoil. Dkt. 80–19, 80–20, 80–21. Midwest contends that this statement constitutes false advertising. Dkt. 88 at 8–9, 88–2 ¶ 30. "To demonstrate falsity within the meaning of the Lanham Act, a plaintiff may show that the statement was literally false, either on its face or by necessary implication, or that the statement was literally true but likely to mislead or confuse consumers." *Southland,* 108 F.3d at 1139.

Soilworks argues that Midwest has presented no evidence that its advertisement is literally false. Dkt. # 79 at 9–10. Soilworks states that by Midwest's own definition of the term "manufacturer," Soilworks is a manufacturer of Durasoil because the product is blended both by Soilworks and its suppliers pursuant to formulas provided by Soilworks. Dkt. # 79–2 ¶¶ 31–37. Midwest counters that even if blending constitutes manufacturing, the evidence shows that Durasoil is not a blended product. Dkt. 88 at 8–9, 88–2 ¶¶ 15, 29–37.

The evidence on this issue is conflicting. Soilworks' patent claims chart for Durasoil states that "Durasoil is not a blend" (*see* Dkt. # 88–7 at 31), while the material safety data sheet for Durasoil states that the "[p]roduct [is] a blend" (*see* Dkt. # 80–17 at 1). Soilworks' general foreman has testified that Durasoil has not been blended since he started working for Soilworks in March 2006. Dkt. # 88–5 at 12. Chad and Dorian Falkenberg have testified that Durasoil has been blended at times. Dkt. 79–2 ¶¶ 31, 36.

[26] "Credibility determinations, the weighing of evidence, and the drawing of inferences from the facts are jury functions, not those of a judge." *Anderson,* 477 U.S. at 255, 106 S.Ct. 2505; *see T.W. Elec. Serv., Inc. v. Pac. Elec. Contractors Ass'n,* 809 F.2d 626, 630 (9th Cir.1987). Whether Soilworks is in fact a manufacturer of Durasoil is an issue for the jury to determine.

[27] Soilworks further argues that Midwest has presented no evidence with respect to the deception and materiality elements of the false advertising claim. Dkt. # 79 at 10–11. In response, Midwest asserts generally that Internet advertising is relied on by both consumers and distributors of dust control products. Dkt. # 88 at 14. While this assertion undoubtedly is true, it says nothing about consumers' and distributors' specific reliance on Soilworks' statement that it is a manufacturer of Durasoil. Midwest also states that it "has explained in its summary judgment papers that the attributes of its Durasoil product that Soilworks falsely advertises are often considered important to consumers when selecting a dust control product." *Id.* But Midwest's summary judgment papers address only the statements that Durasoil is synthetic and oil-sheen free. *See* Dkt. 78–2 at 16–17, 91 at 7–10.

Midwest has failed to demonstrate a triable issue as to whether purchasers of dust control products were likely to be deceived by, or relied upon, Soilworks' statement that it is a manufacturer of Durasoil.

***1135** **[28]** Midwest relies on *Southland* for the proposition that deception and materiality are because the statement is literally false and intentionally made. Dkt. # 88 at 14. Unlike *Southland,* where the Ninth Circuit stated that "publication of deliberately false *comparative* claims gives rise to a presumption of actual deception and reliance,' this case does not involve comparative advertising[.]" *Societe Civile Succession Richard Guiono v. Beseder Inc.,* No. CV 03–1310–PHX–MHM, 2007 WL 3238703, at *4 (D.Ariz. Oct.31, 2007) (quoting *Southland,* 108 F.3d at 1146) (emphasis in original). Nor has Midwest shown the expenditure by Soilworks " 'of substantial funds in an effort to deceive consumers and influence their purchasing decisions [.]' " *Southland,* 108 F.3d at 1146 (quoting *U–Haul Int'l, Inc. v. Jartran, Inc.,* 793 F.2d 1034, 1040–41 (9th Cir.1986)). Midwest therefore is not entitled to "a presumption that consumers are, in fact, being deceived." *Id.*

[29] With respect to the statement that Soilworks is a manufacturer of Durasoil, the Court will grant summary judgment in favor of Soilworks to the extent Midwest seeks an award of damages. *See* Dkt. # 16 ¶ 31. The Court will deny summary judgment to the extent Midwest seeks injunctive relief. *See id.* ¶ 32. When plaintiffs fail to raise a triable issue as to causation and injury, their Lanham Act claim is still viable to the extent it seeks an injunction. *See Southland Sod,* 108 F.3d at 1145–46.

C. Durasoil is Synthetic.

[30] Soilworks advertises on its website and in other marketing materials that Durasoil is "synthetic." Dkt. 80–19, 80–20, 80–21. Midwest asserts that this statement is false or misleading. Dkt. 78–2 at 16, 80 ¶ 44. While Midwest has presented evidence that the synthetic nature of soil erosion and dust control products is important to consumers, *see* Dkt. # 80 ¶¶ 55–56, Midwest has presented no evidence, such as consumer surveys, showing that Soilworks' advertisement "has misled, confused, or deceived the consuming public." *Southland,* 108 F.3d at 1140. Thus, to prevail on its claim, Midwest must show that Soilworks' advertisement is literally false. *See id.* Soilworks argues that Midwest has failed to make this showing. Dkt. 79 at 8, 89 at 9–10. The Court agrees.

Midwest does not define what constitutes a "synthetic" product generally or in the soil erosion and dust control industry. Rather, Midwest claims that Durasoil is not synthetic because Chad Falkenberg testified that he does not know if it is synthetic and one of Soilworks' suppliers purportedly would not consider it to be synthetic. Dkt. 78–2 at 16, 85 ¶¶ 45–48.

Mr. Falkenberg specifically testified that his definition of "synthetic" is something that is not "natural or naturally occurring." Dkt. # 85–2 at 21. Mr. Falkenberg further testified that under this definition, Durasoil is synthetic because it contains a refined, non-natural product. *Id.* Midwest does not dispute the definition provided by Mr. Falkenberg, and it comports with common English usage. *See Merriam–Webster OnLine Dictionary,* http://www.merriam-webster.com/dictionary (defining "synthetic" as "something resulting from synthesis rather than occurring naturally"). Nor does Midwest dispute that Durasoil contains the refined product identified by Mr. Falkenberg. Contrary to Midwest's assertion, Mr. Falkenberg's testimony actually supports a finding that Durasoil is synthetic. The fact that one of Soilworks' suppliers may believe that Durasoil does not contain a ***1136** "synthetic isoalkane," *see* Dkt. 85–2 at 26, does not change this conclusion.

Summary judgment must be granted "against a party who fails to make a showing sufficient to establish the existence of an element essential to that party's case, and on which that party will bear the burden of proof at trial." *Celotex,* 477 U.S. at 322, 106 S.Ct. 2548; *see T.W. Elec. Serv.,* 809 F.2d at 630 (the nonmoving party "must produce at least some 'significant probative evidence tending to support the complaint' ") (quoting *Anderson,* 477 U.S. at 256, 106 S.Ct. 2505). Midwest has failed to demonstrate a triable issue as to the falsity of the statement that Durasoil is synthetic. The Court accordingly will grant summary judgment in favor of Soilworks with respect to this issue.

D. Durasoil is Oil–Sheen Free.

Soilworks states in a product brochure that Durasoil is "oil-sheen free," which means it does not discolor or leave a film or sheen on the surface of water. Dkt. # 80 ¶ 50; *see* 40 C.F.R. Pt. 435, Subpt. A, App. 1(1). Midwest contends that Soilworks' failure to test Durasoil to confirm that is in fact oil-sheen free renders Soilworks' statement misleading. Dkt. 78–2 at 16, 80 ¶¶ 51–53. But Midwest has presented no evidence showing that consumers have been misled, confused, or deceived.

Midwest believes, based on certain materials listed in the material safety data sheet for Durasoil and Midwest's testing of those materials in connection with its own products, that Durasoil is not oil-sheen free and that Soilworks' statement to the contrary is therefore literally false. Dkt. 78–2 at 16, 80 ¶ 54, 80–5 ¶ 18. Midwest does not describe the nature of the tests it performed on its own products. Nor does Midwest identify the specific materials that purportedly make Durasoil not oil-sheen free. [9]

To avoid summary judgment, Midwest "must do more than simply show that there is some metaphysical doubt as to material facts." *Matsushita Elec. Indus. Co. v. Zenith Radio Corp.,* 475 U.S. 574, 586, 106 S.Ct. 1348, 89 L.Ed.2d 538 (1986). Rule 56 requires Midwest to "come forward" with " 'specific facts showing that there is a *genuine issue for trial.'* " *Id.* at 587, 106 S.Ct. 1348 (quoting Fed.R.Civ.P. 56(e)) (emphasis in original); *see T.W. Elec. Serv.,* 809 F.2d at 630. Midwest has not met this burden.

It is undisputed that Midwest has not tested Durasoil to determine whether it is oil-sheen free. Dkt. # 80–4 at 13. Midwest's mere belief that Durasoil is not oil-sheen free is insufficient evidence for a jury to find in Midwest's favor. *See Suckow Borax Mines Consol. v. Borax Consol.,* 185 F.2d 196, 203 (9th Cir.1951) (statements based on "information and belief" are inadequate for purposes of summary judgment). The Court will grant summary judgment in favor of Soilworks with respect to the statement that Durasoil is oil-sheen free.

VIII. Midwest's Unfair Competition Claim (Count IV).

[31] The parties agree that Midwest's common law unfair competition claim arises from Soilworks' alleged false advertising and infringement of Midwest's trademarks. *See* Dkt. 78–2 at 17, 88 at 17–18, 89 at 11. The Court will grant summary judgment in favor of Midwest to the extent the Court has found that Soilworks infringes Midwest's Soil–Sement trademark (*see supra* §§ V–VI). *See also* ***1137** A.R.S. §§ 44–1451, 44–1452; *Raizk v. Southland Corp.,* 121 Ariz. 497, 591 P.2d 985, 986 (Ariz.App.1978) ("The gist of a claim of [trademark infringement] is unfair competition."). To the extent Midwest's unfair competition claim is based on Soilworks' alleged false advertising, the Court will grant summary judgment in favor of Soilworks except with respect to the statement that Soilworks is a manufacturer of Durasoil (*see supra* § VII).

IX. Midwest's Unjust Enrichment Claim (Count V).

[32] Soilworks seeks summary judgment on Midwest's unjust enrichment claim. Dkt. # 79 at 12. The essential elements of the claim are an enrichment of Soilworks, an impoverishment of Midwest, a connection between the enrichment and the impoverishment, the absence of justification for the enrichment and impoverishment, and the absence of a legal remedy. *See Cmty. Guardian Bank v. Hamlin,* 182 Ariz. 627, 898 P.2d 1005, 1008 (1995).

Soilworks contends that Midwest has failed to make a prima facie showing of unjust enrichment because it fails to meet all five elements. Dkt. # 79 at 12. Midwest argues that each element is met based on Soilworks' improper use of Midwest's Soil–Sement trademark. Dkt. # 88 at 19. Soilworks does not address this argument in its reply. *See* Dkt. # 92 at 11. The Court will deny Soilworks' request for summary judgment.

X. The Declaratory Judgment Claims.

Soilworks seeks summary judgment on Midwest's claims for a declaratory judgment that Durasoil infringes Midwest's patents. Dkt. # 79 at 1, 16–17; *see* Dkt. 16 ¶¶ 33–35, 35 ¶¶ 6–7. Soilworks relies on the report of its expert witness, Edward Funk, for the contention that Durasoil does not infringe Midwest's patents. Dkt. # 79 at 16–17 (citing Dkt. # 79–2 ¶¶ 45–53). Midwest argues that Mr. Funk's report is inadmissible because it is untimely and Soilworks never disclosed to Midwest that Mr. Funk would opine that Durasoil did not infringe Midwest's patents. Dkt. # 88 at 20 (citing Fed.R.Civ.P. 26(a)(2)(B)). Soilworks does not address these arguments in its reply. *See* Dkt. # 92.

The Court's Case Management Order, filed May 10, 2007, stated that the parties shall provide "full and complete expert disclosures" as required by Rule 26(a)(2)(A)-(C) of the Federal Rules of Civil Procedure "no later than **December 14, 2007."** Dkt. # 28 ¶ 5(a) (emphasis in original). The Court specifically advised the parties, both at the case management conference and in the Case Management Order, that the deadlines were real and that the Court intended to enforce them. *Id.* ¶ 10; *see* Dkt. # 65 at 1. Mr. Funk's report is dated May 7, 2008—almost five months after the expert disclosure deadline and only two days before Soilworks filed its summary judgment motion. Dkt. # 79–4 at 26. Soilworks has offered no explanation for the late disclosure. Nor does Soilworks dispute that it never disclosed to Midwest that Mr. Funk would opine that Durasoil does not infringe Midwest's patents. The Court will not grant summary judgment for Soilworks on the basis of Mr. Funk's report.

[33] Midwest seeks summary judgment on its claims for a declaratory judgment that the #266 and #270 Patents are valid. Dkt. # 78–2 at 9–10; *see* Dkt. 16 ¶¶ 33–35, 35 ¶¶ 6–7. "By direction of 35 U.S.C. § 282, an issued patent is presumed valid." *KSR Int'l Co. v. Teleflex Inc.,* 550 U.S. 398, 127 S.Ct. 1727, 1737, 167 L.Ed.2d 705 (2007). "The burden of establishing invalidity of a patent or any claim thereof shall rest on the party asserting ***1138** such invalidity." 35 U.S.C. § 282; *see W. Lighting, Inc. v. Smoot–Holman Co.,* 381 F.2d 355, 356 (9th Cir.1966) (Section 282 "provides for the presumption of the validity of a patent and places the burden of establishing invalidity upon the party asserting it"). The burden is met only if clear and convincing evidence of invalidity is presented. *See Saf–Gard Prods., Inc. v. Serv. Parts, Inc.,* 532 F.2d 1266, 1271 (9th Cir.1976); *Lisle Corp. v. A.J. Mfg. Co.,* 398 F.3d 1306, 1316(Fed.Cir.2005) ("On numerous occasions, this court has recognized that a party challenging a patent's validity has the burden of proving by clear and convincing evidence that the patent is invalid, and that burden does not shift at any time to the patent owner.") (citation omitted).

Soilworks asserts that "based on the prior art already submitted to this Court, the Midwest Patents are obvious and, therefore, invalid." Dkt. # 89 at 17. Soilworks does not identify the prior art previously submitted to the Court. Nor does Soilworks explain why such evidence shows that the inventions claimed in Midwest's patents were obvious.

" '[A] district court need not scour the record to make the case of a party,' especially in the context of a patent invalidity claim." *Contech Stormwater Solutions, Inc. v. Baysaver Techs., Inc.,* 534 F.Supp.2d 616, 627 (D.Md.2008) (citation omitted). Rather, courts rely on " 'the nonmoving party to identify with reasonable particularity the evidence that precludes summary judgment.' " *Keenan v. Allan,* 91 F.3d 1275, 1279 (9th Cir.1996) (citation omitted). Soilworks has "simply failed to produce specific facts showing that there is a genuine issue for trial, especially under a clear and convincing standard." *Contech,* 534 F.Supp.2d at 627 (citation and internal quotation marks omitted). The Court will grant summary judgment in favor of Midwest on its claims for a declaratory judgment that the #266 and #270 Patents are valid. *See id.* (granting summary judgment for patentee where the alleged infringer failed to establish the scope and meaning of the alleged prior art or how the patents were invalid in light of the prior art).

IT IS ORDERED:

1. The parties' motions for summary judgment (Dkt. 78–79) are **granted in part** and **denied in part** as follows:

a. Summary judgment is denied with respect to Soilworks' claims for false representation (Count I) and unfair competition (Count VI).

b. Summary judgment is granted in favor of Midwest with respect to Soilworks' claims for misappropriation of goodwill (Count III) and tortious interference (Count IV).

c. Midwest's Lanham Act claims for trademark infringement, false designation of origin, and unfair competition (Count I): Summary judgment is granted in favor of Midwest as to liability regarding the use of the Soil–Sement trademark. Summary judgment is granted in favor of Soilworks with respect to Midwest's other marks.

d. Midwest's Lanham Act claim for false advertising (Count II): Summary judgment is granted in favor of Soilworks with respect to the statements that Soilworks is the "innovator" of Durasoil, that Durasoil is "synthetic" and "oil-sheen free," and that Durasoil is made from "proprietary ingredients" and "revolutionary state-of-the-art innovation." With respect to the statement that Soilworks is a "manufacturer" of Durasoil, summary judgment is granted in favor ***1139** of Soilworks to the extent Midwest seeks an award of damages and denied to the extent Midwest seeks injunctive relief.

e. Midwest's common law unfair competition claim (Count IV): Summary judgment is granted in Midwest's favor to the extent Soilworks infringes the Soil–Sement mark. To the extent Midwest's unfair competition claim is based on Soilworks' alleged false advertising, summary judgment is granted in favor of Soilworks except with respect to the statement that Soilworks is a manufacturer of Durasoil.

f. Summary judgment is denied with respect to Midwest's unjust enrichment claim (Count V).

g. Summary judgment is granted in favor of Midwest on its claims for a declaratory judgment that the #266 and #270 Patents are valid.

h. Summary judgment is denied with respect to Midwest's claims for a declaratory judgment that Soilworks infringes the #266 and #270 Patents.

2. The Court will set a final pretrial conference by separate order.

All Citations

575 F.Supp.2d 1118

Footnotes

1 The parties' requests for oral argument are denied because they have fully briefed the issues (*see* Dkt. 78–79, 88–89, 91–92) and oral argument will not aid the Court's decision. *See Mahon v. Credit Bur. of Placer County, Inc.,* 171 F.3d 1197, 1200 (9th Cir.1999).

2 This conclusion also disposes of Midwest's argument that Soilworks' state law claims similarly are barred by an inability to show bad faith. *See* Dkt. # 78–2 at 21–22.

3 Given this ruling, the Court need not address Midwest's arguments that the Polar Letters were not improper and did not interfere with Soilworks' business relationship.

4 Soilworks' complaint does not contain a Count V. *See* Dkt. # 1.

5 *Brookfield*'s adoption of the initial interest confusion theory in metatag cases has been criticized. *See Playboy Enters.,* 354 F.3d at 1034–36 (Berzon, J., concurring). For now, however, it is the law of the circuit and must be followed by this Court. *See Storus,* 2008 WL 449835, at *4 n. 6.

6 In *Designer Skin,* “S & L Vitamins use[d] Designer Skin's marks to truthfully inform internet searchers where they can find Designer Skin's products.” 560 F.Supp.2d at 819. Soilworks does not contend that its use of the “soil sement” mark “invites [Midwest's] customers to purchase [Midwest's] products.” *Id.* Rather, Soilworks clearly uses the mark to attract customers to Soilworks' websites. *Designer Skin* is therefore distinguishable.

7 Soilworks asserts that Midwest has used Soilworks' trademarks in keyword advertising without Soilworks' consent. Dkt. # 89 at 7. Soilworks asserts that the Court cannot hold it “liable for conduct seemingly no different than that engaged in by Midwest.” *Id.* But Soilworks made no claim against Midwest for this alleged conduct, and the fact that Midwest may have violated the Lanham Act does not somehow excuse Soilworks' violation.

8 Given this ruling, the Court need not address Soilworks' late disclosure argument. *See* Dkt. # 92 at 6–7.

9 Midwest's Chief Executive Officer, Robert Vitale, testified only that the materials are “severely hydrotreated blah-blah-blah.” Dkt. # 80–4 at 12.

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EXHIBIT 19

2008 WL 449835
United States District Court,
N.D. California.

STORUS CORPORATION, Plaintiff,
v.
AROA MARKETING, INC., et al., Defendants.

No. C-06-2454 MMC.
|
Feb. 15, 2008.

Attorneys and Law Firms

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ORDER GRANTING IN PART AND DENYING IN PART PLAINTIFF'S MOTION FOR PARTIAL SUMMARY JUDGMENT

MAXINE M. CHESNEY, District Judge.

***1** Before the Court is plaintiff Storus Corporation's ("Storus") Motion for Partial Summary Judgment of Trademark Infringement, filed December 28, 2007. Defendants Aroa Marketing, Inc. ("Aroa") and Skymall, Inc. ("Skymall") have jointly filed opposition, to which Storus has replied. Having read and considered the papers filed in support of and in opposition to the motion, the Court rules as follows. [1]

BACKGROUND

Storus has marketed and sold a money clip under the mark "Smart Money Clip" since 1997. (*See* Kaminski Decl., filed December 28, 2007, ¶ 4.) Said money clip is covered by a patent owned by Storus, specifically, by United States Patent 6,082,422, (*see id.* ¶¶ 2, 4), which patent "relates to a combination money clip and card holder adapted to retain paper currency as well as [to] removably store flexible cards, e.g., credit cards, and sized to be conveniently carried in a pocket or purse," (*see id.* Ex. C at col.1, ll. 17-21). Storus sells the Smart Money Clip through "various retail channels, including internet stores, and mail order catalogs, 'brick and mortar' stores and television shopping channels." (*See id.* ¶ 5.) [2]

In its First Amended Consolidated Complaint, Storus alleges, as its Sixth Claim, that defendants have infringed Storus' mark Smart Money Clip by using said mark in connection with sales of products that compete with Storus' money clips. By the instant motion, Storus seeks partial summary judgment on the issue of defendants' liability as to the Sixth Claim. Specifically, Storus asserts, the manner in which defendants have used the mark "Smart Money Clip" in connection with a "search engine" creates "initial interest confusion with Storus' trademark." (*See* Pl.'s Mot. at 9:26-27; 11:2-10.)

LEGAL STANDARD

Rule 56 of the Federal Rules of Civil Procedure provides that a court may grant summary judgment "if the pleadings, depositions, answers to interrogatories, and admissions on file, together with the affidavits, if any, show that there is no genuine issue as to any material fact and that the moving party is entitled to a judgment as a matter of law." *See* Fed.R.Civ.P. 56(c).

The Supreme Court's 1986 "trilogy" of *Celotex Corp. v. Catrett,* 477 U.S. 317, 106 S.Ct. 2548, 91 L.Ed.2d 265 (1986), *Anderson v. Liberty Lobby, Inc.,* 477 U.S. 242, 106 S.Ct. 2505, 91 L.Ed.2d 202 (1986), and *Matsushita Electric Industrial Co. v. Zenith Radio Corp.,* 475 U.S. 574, 106 S.Ct. 1348, 89 L.Ed.2d 538 (1986), requires that a party seeking summary judgment show the absence of a genuine issue of material fact. Once the moving party has done so, the nonmoving party must "go beyond the pleadings and by [its] own affidavits, or by the 'depositions, answers to interrogatories, and admissions on file,' designate 'specific facts showing that there is a genuine issue for trial.' " *See Celotex,* 477 U.S. at 324 (quoting Rule 56(c)). "When the moving party has carried its burden under Rule 56(c), its opponent must do more than simply show that there is some metaphysical doubt as to the material facts." *Matsushita,* 475 U.S. at 586. "If the evidence is merely colorable, or is not significantly probative, summary judgment may be granted." *Liberty Lobby,* 477 U.S. at 249-50 (citations omitted). " '[I]nferences to be drawn from the underlying facts," however, "must be viewed in the light most favorable to the party opposing the motion.' " *See Matsushita,* 475 U.S. at 587 (quoting *United States v. Diebold, Inc.,* 369 U.S. 654, 655, 82 S.Ct. 993, 8 L.Ed.2d 176 (1962)).

DISCUSSION

***2** As noted, Storus seeks partial summary judgment on its claim for trademark infringement. To establish a trademark infringement claim, the plaintiff must establish that the defendant has used a mark "confusingly similar to a valid, protectable trademark of [the plaintiff]." *See Brookfield Communications, Inc. v. West Coast Entertainment Corp.,* 174 F.3d 1036, 1046 (9th Cir.1999).

A. Valid, Protectable Trademark

On March 20, 2001, the Patent and Trademark Office ("PTO"), upon application by Storus, registered Storus' mark Smart Money Clip for use in connection with "cases with clips adapted to hold and retain personal identification, money both paper and coin, credit cards, memo items, business cards, personal accessories, and the like and adapted to be carried in a user's pocket, purse, handbag or pack." (*See* Kaminski Decl. Ex. D.)

A registration "constitutes prima facie evidence of the validity of the registered mark and of [the plaintiff's] exclusive right to use the mark on the goods and services specified in the registration." *See Brookfield,* 174 F.3d at 1047. The registration "creates a rebuttable presumption that a trademark is valid, that is, either inherently distinctive or descriptive with secondary meaning, and therefore, protectable under federal trademark law." *See Leelanau Wine Cellars, Ltd. v. Black & Red, Inc.,* 502 F.3d 504, 513 (6th Cir.2007); *Yellow Cab Co. of Sacramento v. Yellow Cab of Elk Grove, Inc.,* 419 F.3d 925, 927 (9th Cir.2005) (holding "inherently distinctive" marks and "descriptive marks" with "secondary meaning" entitled to trademark protection).

Here, defendants argue the Smart Money Clip is descriptive, under the theory that "smart" is a "generally laudatory" descriptive term not entitled to protection in the absence of a showing by Storus of secondary meaning. *See, e.g., Hoover Co. v. Royal Appliance Mfg. Co.,* 238 F.3d 1357, 1360 (Fed.Cir.2001) (holding mark "Number One in Floorcare" was "generally laudatory phrase" not entitled to trademark protection in light of absence of evidence of secondary meaning; noting, "Self-laudatory or puffing marks are regarded as a condensed form of describing the character or quality of the goods.").

Defendants fail to offer any evidence that "Smart Money Clip" is understood as a "generally laudatory term," and the cases identifying terms found to be "generally laudatory" concerned marks distinguishable from Storus' mark. *See, e.g., In re Best Software, Inc.,* 58 U.S.P.Q.2d 1314 (T.T.A.B.2001) (setting forth as examples of generally laudatory marks "The Best Beer in America" and "The Ultimate Bike Rack"). Defendants also fail to explain why "smart" is descriptive of the function performed by Storus' money clips, specifically, having the ability to hold cash and credit cards simultaneously. Even assuming, *arguendo,* "Smart Money Clip" is descriptive in nature, the PTO is presumed to have found the mark acquired secondary meaning, *see Leelanau,* 502 F.3d at 514 (holding where mark is descriptive, "its registration must have been on the basis of the [ ] PTO's determination that [the] mark had obtained a secondary meaning"); consequently, defendants have the burden to "prove the absence of secondary meaning," *see id.* Defendants fail to offer any evidence to support a finding of an absence of secondary meaning, and, thus, fail to create a triable issue of fact.

***3** Accordingly, the Court finds Storus has shown no material issue exists as to the validity of the mark Smart Money Clip.

B. Likelihood of Confusion

As noted, Storus argues the manner in which defendants have used "Smart Money Clip" has created "initial interest confusion."

"Initial interest confusion occurs when the defendant uses the plaintiff's trademark in a manner calculated to capture initial consumer attention, even though no actual sale is finally completed as a result of the confusion." *Interstellar Starship Services, Ltd. v. Epix Inc.,* 304 F.3d 936, 941 (9th Cir.2002) (internal quotation and citation omitted). For example, initial interest confusion can occur where a defendant includes a plaintiff's mark in "metatags" found on the defendant's website, thereby causing consumers who enter the plaintiff's mark into a search engine to obtain a list of results that includes the defendant's website, after which some of those consumers will select defendant's website from the list. *See Brookfield,* 174 F.3d at 1058, 1062-65 (holding "Lanham Act bars [defendant] from including in its metatags any term confusingly similar with [plaintiff's] mark"). "Although there is no source confusion in the sense that consumers know they are patronizing [defendant] rather than [plaintiff], there is nevertheless initial interest confusion in the sense that, by using [plaintiff's mark] to divert people looking for [plaintiff's product] to its web site, [defendant] improperly benefits from the goodwill that [plaintiff] developed in its mark." *See id.*

In determining whether a defendant's use of a mark creates initial interest confusion, a trier of fact considers the eight "*Sleekcraft* factors": "(1) the similarity of the marks; (2) the relatedness or proximity of the two companies' products or services; (3) the strength of the registered mark; (4) the marketing channels used; (5) the degree of care likely to be exercised by the purchaser in selecting goods; (6) the accused infringers' intent in selecting its mark; (7) evidence of actual confusion; and (8) the likelihood of expansion in product lines." *See Interstellar Starship,* 304 F.3d at 942.[3] "[I]n the context of the Web, the three most important *Sleekcraft* factors are (1) the similarity of the marks, (2) the relatedness of the goods or services, and (3) the parties' simultaneous use of the Web as a marketing channel." *See id.* (internal quotation and citation omitted). "When this 'controlling troika,' or 'internet trinity,' suggests confusion is likely, the other factors must weigh strongly against a likelihood of confusion to avoid the finding of infringement." *Id.* (internal quotation, citation, and alteration omitted). Consequently, where the "factors of the internet trilogy" weigh against the defendant, a finding of likelihood of confusion is proper unless the defendant shows the remaining *Sleekcraft* factors "weigh strongly against a likelihood of confusion." *See Perfumebay.com v. eBay Inc.,* 506 F.3d 1165, 1174-75 (Fed.Cir.2007); *see also GoTo.Com, Inc. v. Walt Disney Co.,* 202 F.3d 1199, 1207 (Fed.Cir.2002) (holding where "marks are similar, [the parties] offer similar services, and [the parties] both use the web as their marketing channel," confusion is "indeed likely").

1. Aroa

a. Undisputed Facts[4]

***4** Aroa sells "money clip products" under the mark Steinhausen, (*see* Andara Decl., filed December 28, 2007, Ex. E at 59), on the website www.steinhausenonline.com, (*see id.* Ex. G). From 1998 to January 2001, Aroa also sold, pursuant to an agreement with Storus, Storus' Smart Money Clip. (*See* Kaminski Decl. ¶¶ 7-8.)

Google Inc., an internet search engine, operates an advertising program titled "AdWords," under which an account holder can "create ads and choose keywords." (*See* Choi Decl., filed December 28, 2007, ¶ 4.) Under this program, "[w]hen people search on Google using one of the account holder's keywords, the account holder's ad may appear next to the search results, and people can then click on the account holder's ad." (*See id.*) Aroa, an AdWords account holder, chose various keywords for inclusion in the program, including "smart money clip," and provided Google with an ad to be generated when a user searched using any of the chosen keywords. (*See id.* Ex. B at 3, 5.) In particular, under the AdWords program, if a consumer searched on Google for the phrase "smart money clip," the following Aroa ad may appear on the results page:

Smart Money Clip

> www.steinhausenonline.com Elegant Steinhausen accessories. Perfect to add to any collection.
>
> (*See* Andara Decl. Ex. G.)[5] The "Smart Money Clip" portion of the ad is underlined and set forth in a larger font than that used in the rest of the text in the ad. (*See id.*)

During the period from November 13, 2006 to October 12, 2007, the above advertisement was displayed 36,164 times in response to a search for "smart money clip," and such displays resulted in 1,374 "clicks," i.e., the consumer "clicked on [Aroa's] ad after viewing the page where it was displayed." (*See* Choi Decl. ¶ 5, Ex. B at 4-5; Andara Decl. Ex. E. at STOR00673-74.)

b. Analysis

In light of the above undisputed facts, the Court finds Aroa used a mark identical to Storus' mark with respect to the same type of product, a money clip, and that both Storus and Aroa marketed their respective money clip products over the internet. Defendants' argument, that the first of the "factors of the internet trilogy," similarity of the marks, nevertheless weighs in Aroa's favor, is unpersuasive. Although, as defendants point out, Aroa's Google ad includes a reference to Aroa's mark "Steinhausen," the subject ad, as noted, begins with a mark identical to Storus' mark, underlined, and in a font size larger than that used for any other text in the ad. Defendants appear to argue that consumers would know Steinhausen is the mark of a company different from that of the company owning the Smart Money Clip mark, and, thus, if consumers proceed to Aroa's site, the consumers would not be confused as to the source. Defendants offer no evidence, however, to support such a finding. Moreover, even if such evidence had been offered, defendants' argument would be unavailing. As noted, under the "initial interest confusion" theory of trademark liability, "source confusion" need not occur; rather, in the internet context, the wrongful act is the defendant's use of the plaintiff's mark to "divert" consumers to a website that "consumers know" is not Storus' website. *See Brookfield,* 174 F.3d at 1062. [6]

***5** Accordingly, the Court finds no triable issue of fact exists with respect to any of the three "factors of the internet trilogy," each of which weighs in favor of Storus. *See Perfumebay.com,* 506 F.3d at 1174. Consequently, the burden shifts to defendants to offer evidence to support a finding that the remaining factors "weigh strongly against a likelihood of confusion." *See id.* at 1174-75.

In that regard, defendants offer no evidence to show a lack of actual initial interest confusion. The only evidence relevant to this factor is offered by Storus, specifically, undisputed evidence that during the period from November 13, 2006 to October 12, 2007, when Aroa's ad appeared thousands of times in response to searches for "smart money clip," such ad generated 1,374 "clicks." (*See* Choi Decl. ¶ 5, Ex. B at 4-5; Andara Decl. Ex. E. at STOR00673-74.) In other words, on 1,374 occasions, consumers who were searching for a website by using Storus' mark were, in fact, "diverted" to an Aroa website selling money clips that compete with Storus' money clips. Such diversion constitutes the "initial interest confusion" prohibited by the Lanham Act. *See Brookfield,* 174 F.3d at 1062, 1065.

Defendants offer no evidence as to their intent in selecting Storus' mark as a keyword in Google's AdWords program. Again, the only evidence relevant to such factor is offered by Storus, specifically, evidence that Aroa, before it began using "smart money clip" as a keyword in Google's AdWords program, had actual knowledge that Storus used the mark "Smart Money Clip" to market money clips. (*See* Kaminski Decl. ¶ 7.)

With respect to the strength of the Smart Money Clip mark, defendants rely on their argument that Storus' mark is descriptive and, consequently, weak. "Whether the mark is weak or not is of little importance," however, "where the conflicting mark is identical and the goods are closely related," *see Brookfield,* 174 F.3d at 1059 (internal quotation and citation omitted), which is precisely the situation presented herein.

Defendants concede the "degree of consumer care" favors Storus, because "consumer care for inexpensive products is expected to be quite low." (*See* Defs.' Opp. at 14:25-27.) The remaining factor, "likelihood of expansion," is, in the instant case, "irrelevant" because the goods sold by the plaintiff and the defendant are "related." *See Playboy Enterprises,* 354 F.3d at 1029.

In sum, there is no triable issue with respect to any of the three "factors of the internet trilogy," and defendants have failed, on behalf of Aroa, to make any showing, let alone the requisite "strong" showing, that the remaining factors weigh against a finding of a likelihood of confusion. Under the circumstances, the Court finds Storus has shown no material issue exists as to a likelihood of confusion by reason of Aroa's having used Google's AdWords program in the above-described manner. [7]

2. Skymall

a. Undisputed Facts

***6** Skymall sells products to consumers through its website, www.skymall.com. (*See* Andara Decl. Ex. M, last page, unnumbered.) The products sold thereon include "apparel, business accessories, computer products, electronic equipment, automobile accessories, gift items, collectable items, housewares, home-furnishings, personal-hygiene products, health-care products, fitness products, food items, pet accessories, travel accessories, seasonal items, gift-certificates and other general merchandise." (*See* Schewe Decl., filed January 11, 2008, Ex. 2 at 8.) Skymall's website has a search engine that consumers can use to search the Skymall website. (*See* Andara Decl. Ex. M at 93:21-23.)

Among the products Skymall has sold are "Gadget Universe" money clips supplied by Aroa. (*See id.* Ex. L at 13:3-14, 54:12-15, 84:11-19; Ex. M, last unnumbered page.) On July 14, 2005, Skymall, on its website, offered for sale a Gadget Universe money clip; the description of said product included, in two places, the phrase "smart money clip." (*See id.* Ex. M at 91:21-92:10.)

b. Other Evidence

At his deposition, Skymall's Chief Financial Officer, Dick Larson ("Larson"), was asked whether, if a consumer used Skymall's search engine to search for the term "Smart Money Clip," a webpage showing one of Aroa's money clips would come up; Larson responded, "I would expect [Aroa's] product to come up." (*See id.* Ex. M at 94:10-12.) At her deposition, Skymall's Customer Service Manager, Jeanette Watte ("Watte"), was asked, "[I]f you typed in 'Smart Money Clip,' do you believe that based on that search engine it would bring you [Aroa's] product"; Watte responded, "Today it would, probably." (*See id.* Ex. N at 19:23-20:2.) [8]

c. Analysis

With respect to Skymall, Storus' theory of liability is that if a consumer enters the phrase "smart money clip" in Skymall's search engine, the consumer would be directed to a page, in what is essentially an electronic catalog, on which Skymall offers for sale an Aroa money clip and on which the words "smart money clip" appear in conjunction with such offer. Put another way, its is Storus' theory that when a consumer asks if Skymall offers a "Smart Money Clip," Skymall answers, "yes," and directs the consumer to a page offering an Aroa money clip. Relying on a claim of initial interest confusion under *Brookfield* and the above-described deposition testimony offered by Larson and Watte, Storus argues such theory can be established as a matter of law. The Court disagrees.

Although Skymall conceded having, on July 14, 2005, a webpage containing the phrase "smart money clip" in a description of an Aroa money clip, Skymall has not conceded that, at that time, a consumer who entered "smart money clip" in the Skymall search engine would have been directed to that particular page. All that Skymall conceded, in the above-referenced deposition testimony, is that at present or, at best, at some unspecified time, if a consumer were to enter "smart money clip" in Skymall's search engine, the consumer would likely be directed to a webpage depicting an Aroa product. [9] Critically, Storus points to no concession by Skymall that such a consumer would be directed to a page containing the phrase "smart money clip," let alone to a page identical to that found on Skymall's website on July 14, 2005. Indeed, it appears, from the limited evidence submitted, that a page offering an Aroa money clip will appear as a search result solely because the consumer searches using the phrase "money clip," irrespective of whether the consumer adds the word "smart" to the search term and irrespective of whether the page contains the word "smart." (*See id.* Ex. M at 93:18-94:9.) Put another way, although the evidence is undisputed that, in July 2005, Skymall's catalog contained a webpage that included the words "smart money clip," the record reflects no evidence, or at best a triable issue, with respect to whether, at that time, Skymall had a search engine that would direct consumers to that page if they were to enter the term "smart money clip." Conversely, although there is evidence that, at the present time, Skymall's search engine would direct such consumers to a page advertising an Aroa money clip, there is no evidence that, at this time, any such page contains the words "smart money clip." In sum, the inquiry of Larson and Watte at their respective depositions is too imprecise to support, as a matter of law, the inference Storus seeks to draw.

***7** Accordingly, the Court finds Storus has failed to show no material issue of fact exists as to a likelihood of initial interest confusion based on Skymall's search engine.

CONCLUSION

For the reasons stated above, Storus' motion for partial summary judgment of trademark infringement is hereby GRANTED in part and DENIED in part, as follows:

1. The motion is GRANTED and Storus shall have judgment in its favor as against Aroa on the issue of trademark infringement, specifically, that Aroa's use of Storus' mark in connection with Google AdWords is infringing.

2. In all other respects, the motion is DENIED.

IT IS SO ORDERED.

All Citations

Not Reported in F.Supp.2d, 2008 WL 449835, 87 U.S.P.Q.2d 1032

Footnotes

1 By order filed February 7, 2008, the Court took the matter under submission.

2 Defendants do not dispute any of the facts set forth in the preceding paragraph.

3 In *Sleekcraft,* the Ninth Circuit listed the above factors in a different numerical sequence. *See AMF Inc. v. Sleekcraft,* 599 F.2d 341, 348-49 (9th Cir.1979). In applying the *Sleekcraft* factors, courts traditionally have numbered and discussed those factors consistent with their relative importance to the particular case under consideration. *See, e.g., GoTo.com,* 202 F.3d at 1205.

4 Defendants offer no evidence to dispute any of the facts set forth in the following section. Defendants have, however, raised evidentiary objections to some of the evidence from which such facts are derived. To the extent the Court has relied on any such evidence, the objections thereto are overruled for the reasons stated by Storus. To the extent the Court has not relied on such evidence, the Court does not reach the objections.

5 Storus asserts, and defendants do not dispute, that defendants stopped using "smart money clip" as a keyword in the AdWorks program at some point after the instant action was filed. Consistent with Storus' assertion, documents produced by Google, in the instant action, refer to the "status" of Aroa's keyword "smart money clip" as "paused," as opposed to "active." (*See* Choi Decl. Ex. G at 5.)

6 Defendants rely on the concurring opinion in *Playboy Enterprises, Inc. v. Netscape Communications Corp.,* 354 F.3d 1020 (9th Cir.2004), in which Judge Berzon expressed concern that *Brookfield* was "wrongly decided" and "may one day, if not now, need to reconsidered en banc." *See id.* at 1035. Nevertheless, this Court is bound by *Brookfield.* Moreover, Judge Berzon's concern pertained to application of the holding in *Brookfield* to a defendant who, having used the plaintiff's mark as a keyword, causes consumers to view an internet ad "clearly labeled" as an ad for the defendant. *See id.* This concern is inapplicable to the instant matter; Aroa's advertisement is not "clearly labeled" as an ad for Aroa, given that the largest words in the advertisement consist of a mark identical to Storus' mark.

7 The Court makes the same finding irrespective of whether the Court employs a burden-shifting approach as set forth in *Interstellar Starship* and *Perfumebay.com,* or considers each factor without burden-shifting. *See, e.g., Playboy Enterprises,* 354 F.3d at 1026-29. As discussed above, the only evidence offered with respect to five of the *Sleekcraft* factors is undisputed and each such factor weighs in favor of Storus; defendants concede a sixth factor weighs in favor of Storus; a seventh factor is of little importance; and the eighth factor is irrelevant.

8 Watte's deposition was taken September 19, 2007. She also testified that "the search functionality [of Skymall's search engine] has been enhanced so that [customer service employees] can locate products easier." (*See id.* Ex. N at 20:4-8.)

9 A defendant can only be liable for trademark infringement if it engages in an unconsented "use" of another's mark. *See* 15 U.S.C. § 1114(1). Such "use," in a claim of the type alleged against Skymall, could be proved, e.g., by evidence showing the defendant directs a consumer who searches for "smart money clip" to a webpage on which it offers a competing money clip, and where that page contains the phrase "smart money clip," either expressly stated thereon or in a metatag. Here, Storus offers no evidence as to how Skymall's search engine works; specifically, Storus offers no evidence, or even argues, that Skymall's search engine directs a searching consumer to its pages based on metatags found on those pages, or by some similar mechanism not visible to the consumer by which Skymall itself makes "use" of the mark "smart money clip." Consequently, based on the record before the Court, Storus can only establish the requisite "use" if it proves Skymall's search engine directs a consumer searching for "smart money clip" to a page in its catalog that expressly contains the phrase "smart money clip."

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EXHIBIT 20

103 F.Supp.3d 1032
United States District Court,
D. Minnesota.

ZEROREZ FRANCHISING SYSTEM, INC.
and HSK, LLC d/b/a Zerorez, Plaintiffs,
v.
DISTINCTIVE CLEANING, INC.
and Jennifer Carr, Defendants.

Civil No. 13–2326 ADM/BRT.
|
Signed May 5, 2015.

Synopsis
Background: Carpet cleaning franchisee brought trademark infringement action against competitor, which used phrases similar to the trademark "Zerorez" to advertise on internet search engine. Franchisee moved for summary judgment.

Holdings: The District Court, Ann D. Montgomery, J., held that:

[1] trademark "Zerorez" was at least a suggestive mark for purpose of determining its entitlement to protection from infringement;

[2] competitor's use of the phrases "Zero Res," "Zero Rez," and "ZERO REZ" were likely to cause customer confusion with trademark "Zerorez," and thus competitor infringed on franchisee's trademark rights;

[3] competitor was liable for trademark counterfeiting;

[4] competitor's owner was personally liable for competitor's infringement of the trademark;

[5] competitor would be permanently enjoined from using the words "zero," "0," or "residue" in connection with any advertisement;

[6] competitor's infringement of trademark was willful and deliberate, and thus franchisee was entitled to recover competitor's profits; and

[7] competitor's infringement of trademark was an exceptional case warranting an award of attorney fees under the Lanham Act.

Motion granted in part and denied in part.

Attorneys and Law Firms

***1038** Michael H. Frasier, Esq., Rubric Legal LLC, Minneapolis, MN, on behalf of Plaintiffs.

Malcolm P. Terry, Esq., Bernick Lifson, P.A., Minneapolis, MN, on behalf of Defendants.

MEMORANDUM OPINION AND ORDER

ANN D. MONTGOMERY, District Judge.

I. INTRODUCTION

On February 24, 2015, the undersigned United States District Judge heard oral argument on Plaintiffs Zerorez Franchising System, Inc. (the "Franchisor") and HSK LLC d/b/a ZEROREZ's ("ZEROREZ") (collectively, the "Plaintiffs") Motion for Summary Judgment [Docket No. 53]. Defendants Distinctive Cleaning, Inc. ("Distinctive") and Jennifer Carr ("Carr") (collectively, the "Defendants") oppose the motion. For the reasons set forth below, Plaintiffs' motion is granted in part and denied in part.

II. BACKGROUND

The Franchisor offers carpet and surface cleaning services with franchisees located throughout the United States. Compl. [Docket No. 1] ¶ 1. The Franchisor owns trademark and common law rights in the Zerorez name, and has registered "Zerorez" as a trademark with the U.S. Patent and Trademark Office. *Id.* ZEROREZ is a franchisee with its principal place of business in Richfield, Minnesota. *Id.* ¶ 2. ZEROREZ has been operating in the Twin Cities metro area since 2005 and has been continuously using the Zerorez trademark. Kaplan Aff. [Docket No. 64] ¶ 2.

Distinctive is a corporation with its headquarters in Bloomington, Minnesota. Compl. ¶ 3. Distinctive offers window cleaning, moving cleaning, post construction cleaning, carpet cleaning, and more. Terry Aff. [Docket No. 68] Ex. 1. Carr is Distinctive's owner and day-to-day manager. Compl. ¶ 4. The carpet cleaning services of ZEROREZ and Distinctive compete in the Minneapolis and St. Paul metropolitan areas. *Id.* ¶¶ 27–28.

A. Distinctive's alleged deception

In April 2012, ZEROREZ discovered online advertisements that stated: "Zero Rez Carpet Cleaning." *Id.* ¶ 33. These advertisements were displayed in response to Google searches for "Zerorez," "twin cities carpet cleaning," and related phrases. *Id.* The advertisements provided a hyperlink to Distinctive's website. *Id.* The Franchisor sent Distinctive a cease and desist letter on April 20, 2012. *Id.* Attach. 1. The cease and desist letter states that "Zerorez" is a protected mark and Distinctive's unauthorized use of "zero rez" in its advertising is deceptive, confusing, and constitutes trademark infringement. *Id.* The letter additionally states that Distinctive employees or representatives have ***1039** communicated that Distinctive is "Zerorez" to potential customers. *Id.* The letter concludes by demanding Distinctive cease misrepresenting its affiliation with ZEROREZ and immediately discontinue using the Zerorez mark in its advertising. *Id.*

Distinctive argues it responded to the cease and desist letter through counsel on May 14, 2012. [1] Terry Aff. Ex. 14. Distinctive's response denies advertising with the Zerorez trademark and further denies making any representation or affiliation with ZEROREZ to prospective customers. Distinctive's response concludes by stating "[w]e trust that the foregoing closes this matter." *Id.*

Plaintiffs clearly did not regard the matter as closed; Plaintiffs continued receiving reports from confused customers claiming they hired Distinctive when they intended to hire ZEROREZ. Compl. ¶ 35. In January 2013, ZEROREZ discovered that Distinctive was advertising online with the phrase "ZERO REZ Carpet Cleaning." *Id.* ¶ 39. Shortly thereafter, ZEROREZ again demanded Distinctive cease and desist using the Zerorez mark in its advertising. *Id.* Distinctive again responded through counsel, stating that it was not using the marks "in a trademark sense." *Id.* ¶ 40.

Sometime in March 2013, ZEROREZ discovered Distinctive purchased "Zero Rez" and "Zerorez" as Google keyword search terms. *Id.* ¶ 41. In April 2013, Distinctive advertised with the phrases "Zero Res" and "Rez Free Carpet Cleaning" in response to Google searches for "Zero Rez," "carpet cleaning Twin Cities," and similar phrases. *Id.* ¶¶ 42–43. In August 2013, ZEROREZ hired a private investigator and learned that Distinctive employees represented that it provided services identical to those offered by ZEROREZ. *Id.* ¶ 45.

B. Google AdWords and Distinctive's contempt of court

Plaintiffs allege that Distinctive used Google's AdWords advertising service to create and display the allegedly infringing advertisements. AdWords is a customizable advertising service that allows businesses to create advertising campaigns that display specific advertisements in response to keywords—particular search phrases or terms a user enters into their Google search. Rand Aff. [Docket No. 17] ¶¶ 8–9. When a user makes a Google search, advertisements typically appear in the top three search results as well as along the right side of the screen. *Id.* ¶ 11. The AdWords platform allows businesses to edit, pause, delete, or resume any advertising campaign at any time. [2] *Id.* ¶ 9.

C. The present action

Plaintiffs filed suit on August 26, 2013, alleging violations of the Lanham Act and Minnesota consumer protection statutes. Just over a month after the lawsuit was filed, the parties stipulated that Distinctive and Carr shall not use the protected mark "zerorez" and similar phrases like "zero rez," "zero rezidue," and "zero res," "in connection with any online, print, radio, television, metatag, Google ad-word, flyer, pamphlet, or any other advertisement." Stipulation [Docket No. 6]. The Stipulation expressly permitted Distinctive to use the phrases "zero residue," "no residue," "0 residue," and "residue free" in any of its advertisements. *Id.* The Stipulation was approved by the Court on October 3, 2013. ***1040** Order [Docket No. 7] ("Stipulation Order").

On January 3, 2014, counsel for Plaintiffs, while running periodic Google searches to verify Distinctive's compliance, discovered a violation of the Stipulation

Order. Frasier Decl. [Docket No. 18] ¶¶ 1, 2, 6. Counsel observed that Distinctive had resumed using the prohibited keywords. *Id.* ¶ 5. After attempting to resolve the issue without judicial intervention, Plaintiffs moved for contempt sanctions on February 28, 2014. In support of its motion, Plaintiffs presented a series of screenshots taken between January 3, 2014, and February 27, 2014 showing that Distinctive was running campaigns using prohibited Google keywords. Pls.' Mem. Supp. Mot. Contempt [Docket No. 16] 2–4. On this evidence, Defendants were found in contempt on March 14, 2014. Order [Docket No. 25]. Plaintiffs have not alleged any further violations of the Stipulation Order or further instances of trademark infringement subsequent to the March 14, 2014 Order. After a period of discovery, Plaintiffs moved for summary judgment on December 9, 2014.

III. DISCUSSION

A. Standard for Summary Judgment

Rule 56(c) of the Federal Rules of Civil Procedure provides that summary judgment shall be rendered if there exists no genuine issue as to any material fact and the moving party is entitled to judgment as a matter of law.

The United States Supreme Court, in construing Federal Rule 56(c), stated in *Celotex Corp. v. Catrett,* 477 U.S. 317, 322, 106 S.Ct. 2548, 91 L.Ed.2d 265 (1986):

> In our view, the plain language of Rule 56(c) mandates the entry of summary judgment, after adequate time for discovery and upon motion, against a party who fails to make a showing sufficient to establish the existence of an element essential to that party's case, and on which that party will bear the burden of proof at trial.

On a motion for summary judgment, the court views the evidence in the light most favorable to the nonmoving party. *Ludwig v. Anderson,* 54 F.3d 465, 470 (8th Cir.1995). However, the nonmoving party may not "rest on mere allegations or denials, but must demonstrate on the record the existence of specific facts which create a genuine issue for trial." *Krenik v. Cnty. of Le Sueur,* 47 F.3d 953, 957 (8th Cir.1995).

If the nonmoving party presents evidence sufficient to permit a reasonable jury to return a verdict in its favor, summary judgment is inappropriate. *Id.* However, "the mere existence of some alleged factual dispute between the parties is not sufficient by itself to deny summary judgment.... Instead, 'the dispute must be outcome determinative under prevailing law.' " *Get Away Club, Inc. v. Coleman,* 969 F.2d 664, 666 (8th Cir.1992) (citation omitted).

B. Trademark Infringement and False Designation of Origin

[1] The essence of Plaintiffs' Complaint alleges claims of trademark infringement and false designation of origin. These claims require proof of trademark ownership and the alleged infringer's use of the mark "in connection with goods or services in a manner likely to cause customer confusion as to the source or sponsorship of the goods or services." *Cmty. of Christ Copyright Corp. v. Devon Park Restoration Branch of Jesus Christ's Church,* 634 F.3d 1005, 1009 (8th Cir.2011).

[2] **[3]** **[4]** Defendants do not challenge Plaintiffs' ownership of the "Zerorez" mark. Thus, Plaintiffs' claims of infringement and false designation of origin turn on whether Distinctive used the mark in a ***1041** manner likely to cause customer confusion. The following six factors guide that determination:

> 1) the strength of the trademark owner's mark; 2) the similarity between the trademark owner's mark and the alleged infringing mark; 3) the degree to which the allegedly infringing services competes with the trademark owner's services; 4) the alleged infringer's intent to confuse the public; 5) the degree of care reasonably expected of potential customers; and 6) evidence of actual confusion.

Id. at 1009 (citing *SquirtCo. v. Seven–Up Co.,* 628 F.2d 1086, 1091 (8th Cir.1980)). "These factors do not operate in a mathematically precise formula; rather, we use them at the summary judgment stage as a guide to determine whether a reasonable jury could find a likelihood of confusion." *Duluth News–Tribune v. Mesabi Publ'g Co.,* 84 F.3d 1093, 1096 (8th Cir.1996). "Factual disputes regarding a single factor are insufficient to support the reversal of summary judgment unless they tilt the entire balance in favor of such a finding." *Id.*

1. Strength of the mark

[5] "A strong and distinctive trademark is entitled to greater protection than a weak or commonplace one." *Frosty Treats v. Sony Computer Ent. Am. Inc.,* 426 F.3d 1001, 1008 (8th Cir.2005). A trademark's strength is measured through both conceptual and commercial lenses. *George & Co. v. Imagination Entm't Ltd.,* 575 F.3d 383, 393 (4th Cir.2009); *ConAgra, Inc. v. George A. Hormel & Co.,* 784 F.Supp. 700, 708 (D.Neb.1992) *aff'd,* 990 F.2d 368 (8th Cir.1993).

a. Conceptual

[6] **[7]** **[8]** The conceptual strength of a trademark is determined by its classification into one of the following four categories: generic, descriptive, suggestive, or arbitrary or fanciful. *Cellular Sales, Inc. v. Mackay,* 942 F.2d 483, 486 (8th Cir.1991) (citing *Vision Center v. Opticks, Inc.,* 596 F.2d 111, 115 (5th Cir.1979)). Generic marks are not entitled to protection and descriptive marks are only entitled to protection if they have acquired a secondary meaning. [3] *Frosty Treats,* 426 F.3d at 1005. Suggestive and arbitrary or fanciful marks garner protection regardless of whether they have acquired secondary meaning. *Id.* (citing *Co–Rect Prods., Inc. v. Marvy! Adver. Photography, Inc.,* 780 F.2d 1324, 1329 (8th Cir.1985)).

[9] **[10]** "A suggestive mark is one that requires some measure of imagination to reach a conclusion regarding the nature of the product." *Duluth News–Tribune,* 84 F.3d at 1096 (citing *Am. Home Prods. Corp. v. Johnson Chem. Co. Inc.,* 589 F.2d 103, 106 (2d Cir.1978) (holding that "Roach Motel" is a suggestive mark because "[w]hile roaches may live in some hotels against the will of the owners, motels are surely not built for roaches to live in.")). Descriptive marks, in contrast, are those that do not require "imagination, thought, or perception ... to reach a conclusion as to the nature of its goods." *Frosty Treats,* 426 F.3d at 1005 (determining that the mark "Frosty Treats" is descriptive because "Frosty Treats is in the business of selling frozen desserts out of ice cream trucks. 'Frosty Treats' conveys an immediate idea of the qualities and characteristics of the goods that it sells.").

***1042** **[11]** "Zerorez" is at least a suggestive mark. Unlike "Frosty Treats" and other descriptive marks, "Zerorez" requires additional imagination, thought, or perception to convey the nature of the product. "Zerorez" does not immediately convey an idea of the qualities and characteristics of the services that the Plaintiffs sell.

b. Commercial

[12] **[13]** **[14]** In addition to conceptual strength, the mark's commercial value, or marketplace recognition, factors into the strength of the mark analysis. In the likelihood of confusion context, commercial strength is based on the "public recognition and renown" of the mark as shown by the amount of advertising, sales volume, features and reviews in publications, and survey evidence. *See, e.g., Palm Bay Imps., Inc. v. Veuve Clicquot Ponsardin Maison Fondee En 1772,* 396 F.3d 1369, 1374–76 (Fed.Cir.2005) (considering advertising expenditures, sales figures, and other factors in commercial strength analysis); *ConAgra, Inc.,* 990 F.2d at 369 (including "marketplace recognition value" in determining strength of trademark). The relevant market for the commercial strength evaluation is "the class of customers and potential customers of a product or service, and not the general public." *Palm Bay Imps.,* 396 F.3d at 1375. The commercial strength inquiry is focused on the marketplace's recognition of the mark at "the time the mark is asserted in litigation." *Roederer v. J. Garcia Carrion, S.A.,* 732 F.Supp.2d 836, 867 (D.Minn.2010) (quoting *Renaissance Greeting Cards, Inc. v. Dollar Tree Stores, Inc.,* 405 F.Supp.2d. 680, 690 (E.D.Va.2005)).

[15] "Zerorez" has commercial strength. The Franchisor has continuously used its mark in the United States since 2003 and a licensed franchisee has been using the mark in operating its business in the Twin Cities metro area since 2005. Compl. ¶¶ 9, 18. ZEROREZ's market share has increased from 3% in 2006 to roughly 20% at the time the Complaint was filed. *Id.* ¶ 19. ZEROREZ has been featured in the Minneapolis StarTribune, and the Minneapolis St. Paul Business Journal has recognized

ZERORREZ multiple times for its business growth and job creation. Kaplan Aff. ¶ 7. ZEROREZ has expended significant resources in advertising and promoting its business. *See Id.* Exs. J, K, L (identifying $324, 959 and $1,152,061 in annual advertising expenditures between 2009 through 2013, respectively). The strength of the mark factor weighs in favor of Plaintiffs.

2. Similarity

[16] The second step considers the similarity between the mark "Zerorez" and Distinctive's use of "zero rez" and similar permutations. *Frosty Treats,* 426 F.3d at 1008. Courts are to analyze "similarities of sight, sound, and meaning between two marks." *Gen. Mills, Inc. v. Kellogg Co.,* 824 F.2d 622, 627 (8th Cir.1987). This analysis should not be completed in a vacuum; rather, the Court "must attempt to recreate the conditions in which buying decisions are made, and ... what a reasonable purchaser in market conditions would do." *Calvin Klein Cosmetics Corp. v. Lenox Labs.,* 815 F.2d 500, 504 (8th Cir.1987).

[17] Distinctive used the phrases "Zero Res," "Zero Rez," and "ZERO REZ" in its online advertisements. Llewellyn Aff. [Docket No. 63] ¶ 16. The advertisements displayed the phrases in ordinary text free from stylization or other artistic impression that may create distinctness from the protected mark. While the phrases themselves are not identical to the protected mark, the slight difference —using "s" instead of "z" or adding a space between the ***1043** "zero" and "rez"—does not save Distinctive. Without doubt, Distinctive's usages are confusingly similar to the protected mark. This factor also favors Plaintiffs.

3. Competitive proximity

[18] The third factor asks the degree to which the infringer's products competes with the plaintiff. *SquirtCo.,* 628 F.2d at 1091. If the two companies' products are closely related, confusion among customers is more likely. *Davis v. Walt Disney Co.,* 430 F.3d 901, 904 (8th Cir.2005).

[19] ZEROREZ and Distinctive both offer carpet and surface cleaning services in the Minneapolis, St. Paul metropolitan area. While Distinctive may offer window washing and other services that ZEROREZ does not, the alleged infringing use of Plaintiffs' mark is used to solicit business for Distinctive's carpet cleaning service, which directly competes with ZEROREZ. This factor also favors Plaintiffs.

4. Intent to confuse the public

[20] **[21]** The fourth factor analyzes whether the alleged infringer intended to pass off its goods as the trademark owner's goods. *Frosty Treats,* 426 F.3d at 1008. Although proof of misleading intent is not required for success in an infringement claim, "the absence of such intent is a factor to be considered." *Id.* (quoting *Sensient Techs. Corp. v. SensoryEffects Flavor Co.,* 613 F.3d 754, 766 (8th Cir.2010)).

A reasonable fact finder would conclude Distinctive possessed intent to infringe on Plaintiffs' mark. Carr knew that ZEROREZ was a competitor to Distinctive's carpet cleaning business. The evidence includes Carr's decision to purchase "Zero rez" as an AdWords keyword.[4] Llewellyn Aff. Ex. A. Distinctive's advertisements that included derivatives of the protected mark were some of its most successful advertisements. *Id.* Ex. B. The success of these advertisements was discussed in an October 7, 2013 email, on which Carr was copied, from Melanie Llewellyn ("Llewellyn"), the individual responsible for Distinctive's advertising. The email stated: "But [Carr's] insight was that Zero Rez generated LOTS of leads. Also, Zerorez was running radio ads on nearly every radio station in the mpls/st paul area, so it really worked well to get the phones ringing." Fraiser Aff. [Docket No. 55] ("First Frasier Aff.") Ex. 25. The record additionally reflects that the content of Distinctive's advertisements were repeatedly altered to include the similarities with "Zerorez." These changes occurred both before and after Distinctive received the first cease and desist letter as well as advice from its counsel directing Distinctive to cease using Zerorez in its advertising. *See* Frasier Aff. [Docket No. 70] ("Second Frasier Aff.") Ex. 27 (showing that advertisements were changed to include similarities to the protected mark into August 2013). Moreover, Distinctive's intention is further evidenced by representations its made to prospective customers, including an email from Distinctive's General Manager stating: "We are not the company Zero Res, but we our add say [sic] we do offer the zero res method." First Frasier Aff. Ex. 9. The only reasonable inference is that Distinctive used the protected mark in an attempt to generate business by passing off Plaintiffs' services as its own.

Distinctive attempts to evade this conclusion by assigning all evidence of intent ***1044** to Llewellyn, who began working for Distinctive around 2008. Carr Aff. [Docket No. 22] ¶ 3. This deflection of intent fails because Llewellyn was acting with Distinctive's authority. Beginning in 2008, Llewellyn's official duties never wavered from being solely responsible for Distinctive's advertising. After Llewellyn was fired sometime in early 2014, nobody was managing Distinctive's online advertising. Terry Aff. 78 ("Carr Dep.") 33:11–22. Indeed, Carr repeatedly testified in her deposition that she herself lacked any knowledge or skill to make substantive changes to the content of Distinctive's online advertising, and instead relied exclusively on Llewellyn for those purposes. *See, e.g.* Carr Dep. 28:25–29:3; 30:9:24; 41:8–19. Thus, Llewellyn's actions in managing Distinctive's advertising were made with actual authority. *See Trustees of the Graphic Comm'ns Intern. Union Upper Midwest Local 1M Health & Welfare Plan v. Bjorkedal,* 516 F.3d 719, 727 (8th Cir.2008) ("Actual authority is that authority given by the principal to the agent to act on its behalf, and it requires that the principal manifest its consent to the agent's ability to bind the principal.") (citing Restatement (Third) of Agency § 3.01 (2006)).

Distinctive's efforts to paint its advertisements as fair use is equally unavailing.[5] Distinctive's usage of similarities to "Zerorez" do not generally describe a residue free cleaning method but necessarily infer a connection to the Zerorez mark. Distinctive ran advertisements that used the terms, "Zero Res" or "Zero Rez" closely followed by "Same Results." *See* Llewellyn Aff. ¶ 16. The phrase "Same Results" plainly draws this connection. This factor weighs in favor of Plaintiffs.

5. Degree of care reasonably expected by the customers

[22] This factor evaluates the degree of care expected of an ordinary purchaser. *Duluth News–Tribune,* 84 F.3d at 1099. "In considering this factor, we must stand in the shoes of the ordinary purchaser, buying under the normally prevalent conditions of the market and giving the attention such purchasers usually give in buying that class of goods." *Luigino's Inc. v. Stouffer Corp.,* 170 F.3d 827, 831 (8th Cir.1999).

[23] In this case, consumers are likely to exercise at least a moderate degree of care when selecting a carpet cleaning company. Carpet cleaning is not an impulsive decision or a quick purchase off the shelf. Additionally, this type carpet cleaning requires a technician to enter the consumer's home to perform the service. Inviting a stranger into one's home elevates the ordinary purchaser's degree of care. As a result, interested consumers are likely to research quality and price before making a purchasing decision. This factor weighs in favor of Defendants.

6. Evidence of actual confusion

[24] **[25]** **[26]** "[W]hen determining whether there exists a likelihood of confusion, weight is given to the number and extent of instances of actual confusion." *Life Technologies, Inc. v. Gibbco Scientific, Inc.,* 826 F.2d 775, 777 (8th Cir.1987). Evidence of actual confusion may be presented in the form of testimony about incidents of confusion or survey evidence. *See Frosty Treats,* 426 F.3d at 1009. In evaluating the evidence at the summary judgment stage, consideration is given only to those responses that are supported by admissible ***1045** evidence. *Postscript Enterprises v. City of Bridgeton,* 905 F.2d 223, 226 (8th Cir.1990).

Evidence of confusion is documented by Distinctive's call center manager, who "remember[s] receiving many reports of customers telling me they hired or contacted Distinctive Cleaning thinking it was Zerorez" and "remember[s] the call center receiving many calls complaining that they hired Distinctive Cleaning thinking it was Zerorez." Hicks Aff. [Docket No. 57] ¶¶ 3–4. This is not an isolated event from one or two confused customers, but rather evidence of repeated customer confusion observed by the very employee tasked with responding to the concerns of confused customers. This evidence of actual confusion is strong and tips this factor strongly in favor of Plaintiffs.

[27] Viewing the six *SquirtCo* factors as applied above, no factual dispute exists as to the likelihood of confusion. Five of the six factors weigh in favor of Plaintiffs. A likelihood of customer confusion exists as a matter of law. Thus, Plaintiffs are entitled to summary judgment on its federal trademark infringement and false designation of origin claims.

C. Trademark counterfeiting

[28] **[29]** Trademark infringement can rise to counterfeiting if the defendant "intentionally used the registered trademark knowing that it was counterfeit."

Council of Better Bus. Bureaus, Inc. v. Bailey & Assocs., Inc., 197 F.Supp.2d 1197, 1219 (E.D.Mo.2002) (citing 15 U.S.C. §§ 1116(d), 1117(b)). Distinctive's three arguments opposing trademark counterfeiting rehash nearly identical arguments that failed to avoid summary judgment on Plaintiffs' underlying trademark infringement action and are equally unpersuasive here.

[30] Distinctive first argues that it is not liable for trademark counterfeiting because Plaintiffs failed to prove its infringement claim pursuant to 15 U.S.C. § 1114(1). As concluded above, however, Plaintiffs did prove its underlying infringement claim. Distinctive next argues that because Llewellyn exclusively created, managed, and ran Distinctive's advertising campaigns, Distinctive is not liable for her actions. Again, as established above, since Llewellyn was acting with actual authority, Distinctive cannot escape the negative consequences of her actions. Finally, Distinctive claims it cannot be held liable for trademark counterfeiting because it did not use the exact trademarked phraseology, "Zerorez," in its advertisements. This argument is unconvincing because liability for trademark counterfeiting does not require exact mimicry of the protected mark. *See George & Co., LLC v. Xavier Enters., Inc.,* No. 09–2973, 2009 WL 4730331, at *3 (D.Minn. Dec. 4, 2009) (citing 15 U.S.C. §§ 1114(1)(a); 1116(d)(1)(B)) ("The Lanham Act prohibits the use of any ... 'counterfeit ... mark in connection with ... advertising of any goods or services ... which is likely to cause confusion.' A counterfeit mark is a 'spurious mark which is identical with, or substantially indistinguishable from, a registered mark.' "). In a January 10, 2013 email, Distinctive's own attorney stated to Carr that "you should not be using the term 'ZEROREZ' in any way, shape, or form in creating your ads. The term is trademarked, and, therefore, cannot be used to create an ad." First Frasier Aff. Ex. 15. Armed with knowledge that "Zerorez" was trademarked, Distinctive continued its use of terms that were substantially indistinguishable from the trademarked term. *See* Second Frasier Aff. Ex. 27 (showing that "Zero Rez" and "Zero Res" were used in advertisements after January 10, 2013). Thus, Plaintiffs are also entitled to summary judgment on its trademark counterfeiting claim.

*1046 D. Personal Liability

[31] Plaintiffs also seek to hold Carr personally liable for Distinctive's use of its protected mark. Plaintiffs argue that Carr is personally liable since she was the active force behind the infringement and she authorized the use of the Zerorez mark. Distinctive responds that the evidence does not support Carr was the driving force behind the infringement. According to Distinctive, Llewellyn's involvement precludes summary judgment because there is a genuine dispute as to Carr's direct involvement in the infringing activities.

[32] **[33]** Natural persons may be liable for trademark infringement. *Chanel, Inc. v. Italian Activewear of Fla., Inc.,* 931 F.2d 1472, 1477 (11th Cir.1991). "Obviously ... if there was an infringement by the corporation, this infringement was caused by some one or more persons either officers or employees of the corporation who caused the acts to be done." *Id.* (quoting *Mead Johnson & Co. v. Baby's Formula Serv., Inc.,* 402 F.2d 19, 23 (5th Cir.1968)). "A corporate officer is personally liable for the corporation's trademark infringement if the officer participates in that infringement." *Microsoft Corp. v. Ion Techs. Corp.,* No. 01–1769, 2003 WL 21356084, at *5 (D.Minn. May 30, 2003) (citing *United States v. Wash. Mint, LLC,* 115 F.Supp.2d 1089, 1106 (D.Minn.2000)).

Carr's representations regarding her involvement in Distinctive's advertising are not consistent. In her deposition, Carr stated she did not have any involvement in creating the text of Distinctive's advertisements. Carr Dep. 42:5–43:21. These statements, however, are belied by her own affidavit, which states that "sometimes I would write the text of advertisements." Carr Aff. ¶ 4. Carr also testified in her deposition that it was not her decision to use "Zero Rez" as a keyword nor was she consulted on the decision. Carr Dep. 78:3–11. This assertion is contradicted by an email Llewellyn received from Carr directing her to use "zero rez" as a keyword. Llewellyn Aff. ¶ 7, Ex. A.

In addition to the internal inconsistency of her testimony, Carr's claimed technological inabilities to alter Distinctive's advertisements is directly contradicted by Llewellyn's testimony and supporting emails describing her frustration with the changes Carr made to the content of the advertisements and her alterations to the AdWords platform. *Id.* ¶¶ 16, 19, Exs. C, D, F. Carr and Llewellyn were the only persons who had access to the AdWords account. Carr Dep. 37:2238:8. Carr's insinuation that Llewellyn was surreptitiously changing the advertisements and then blaming Carr for those changes in an effort to frame her liability does little to further her argument.

Even if Carr's inconsistencies are discounted and Llewellyn's testimony is ignored, Carr is still personally liable for trademark infringement because she actively participated in the infringement. Carr testified that, while she did not manage the AdWords account, she was responsible for managing the AdWords budget and paying the bill. Carr Dep. 33:19–34:3. Carr additionally testified in her deposition that she logged into AdWords and managed the budget maybe "every two weeks" after Llewellyn was fired in early January 2014. *Id.* 34:9–13. Indeed, Carr did not hire anyone else to manage AdWords or make any changes to AdWords after she terminated Llewellyn. *Id.* 35:4–7. Combining her role as the owner of Distinctive with managing the advertising budget, which includes adjusting the cost of specific advertisements, and authorizing payment constitutes active participation. This active participation renders Carr personally liable for Distinctive's infringement.

***1047 E. Remaining Claims**

Plaintiffs allege additional Lanham Act violations and their state law equivalents. These claims are dismissed. The Court will decline to fully address the merits of these claims, but clearly each suffers from facial deficiencies —"Zerorez" is not a sufficiently famous mark to meet the rigorous standard of a dilution claim and no evidence has been offered to satisfy the interstate commerce requirement of its claims for false statements in advertising and unfair competition.

More significantly, however, is that the continuing adjudication of these claims serves no practical purpose. While a party may pursue alternative claims in their pleadings, courts have an obligation to "secure the just, speedy, and inexpensive determination" of a trial. Fed.R.Civ.P. 1. This includes dismissing redundant claims when necessary. *ACIST Med. Sys., Inc. v. OPSENS, Inc.,* No. 11–539, 2011 WL 4640884, at *2 (D.Minn. Oct. 4, 2011); *N. PCS Servs., LLC v. Sprint Nextel Corp.,* No. 05–2744, 2007 WL 951546, at *12 (D.Minn. Mar. 27, 2007). The essence of Plaintiffs' Complaint is trademark infringement. As evidenced from the discussion above, Plaintiffs' trademark infringement claim is ironclad. Having already established liability for trademark infringement and counterfeiting, Plaintiffs have no need to present alternate theories of liability, which are predicated on the same facts as its primary causes of action. *See Guy Carpenter & Co. v. John B. Collins & Assocs., Inc.,* No. 05–1623, 2006 WL 2502232, at *9 (D.Minn. Aug. 29, 2006) (dismissing claims predicated on same facts as duplicative). Further violations of the Lanham Act will not provide Plaintiffs with further relief and the remedies afforded by the relevant state statutes are duplicative to their federal analogues.

F. Damages

1. Equitable Remedy

[34] Plaintiffs request a permanent injunction enjoining Defendants from any continued use of their trademark. Defendants raise no objection to Plaintiffs' request for a permanent injunction. Based on the undisputed facts and the determinations set forth above, Plaintiffs are entitled to a permanent injunction.

[35] [36] The Court may grant an injunction "to prevent the violation of any right of the registrant of a mark registered in the Patent and Trademark Office." 15 U.S.C. § 1116(a). After obtaining success on the merits of a trademark infringement claim, the standard for obtaining a permanent injunction is essentially the same as obtaining a preliminary injunction. *Bank One, Utah v. Guttau,* 190 F.3d 844, 847 (8th Cir.1999). Plaintiffs must show: 1) they have suffered an irreparable injury; 2) legal remedies such as monetary damages are inadequate to compensate for the injury; 3) the balance of hardships between the plaintiff and the defendant warrant an equitable remedy; and 4) the public interest would not be disserved by a permanent injunction. *eBay Inc. v. MercExchange, L.L.C.,* 547 U.S. 388, 391, 126 S.Ct. 1837, 164 L.Ed.2d 641 (2006); *Roederer,* 732 F.Supp.2d at 880–81.

[37] "Since a trademark represents intangible assets such as reputation and goodwill, a showing of irreparable injury can be satisfied if it appears that [Plaintiffs] can demonstrate a likelihood of customer confusion." *Gen. Mills,* 824 F.2d at 625. Reputational harm and damage to goodwill are difficult to quantify and monetary damages are generally inadequate to compensate such injuries. ***1048** *Medicine Shoppe Int'l, Inc. v. S.B.S. Pill Dr., Inc.,* 336 F.3d 801, 805 (8th Cir.2003). The first two elements are therefore satisfied.

The balance of harms factor also supports entry of a permanent injunction. Trademarks vest a registrant with the exclusive use of that mark. Distinctive's infringement erodes that exclusivity and harms Plaintiffs. The public interest further favors an injunction because "the public interest is served by preventing customer confusion in the marketplace." *Davidoff & CIE, S.A. v. PLD Int'l Corp.,* 263 F.3d 1297, 1304 (11th Cir.2001).

The Stipulation Order was tailored to curtail infringing activity while permitting Distinctive to advertise in a manner that does not infringe on Plaintiffs' mark. However, shortly after the Stipulation Order was implemented, Defendants resumed advertising with prohibited terms. Defendants have repeatedly failed to respect Plaintiffs' trademark rights and have continuously misappropriated the goodwill of the "Zerorez" mark in an effort to raise revenue.

The Court has wide discretion in fashioning an appropriate equitable remedy to prevent violations of Plaintiffs' trademark. Defendants' inability to comply with the Stipulation Order necessitates a broad injunction that clearly proscribes any similarity or affiliation to the "Zerorez" trademark. Therefore, Defendants are permanently enjoined from using the words "zero," "0," or "residue" in connection with any online, print, radio, television, metatag, Google ad-word, flyer, pamphlet, or any other advertisement.

To be clear, *any* use of these words is prohibited. This includes such expressions as "Zero chemical cleaning," "no residue carpet cleaning," "residue free cleaning," or "zerochemical." If Defendants demonstrate their inability to comply with the terms of this permanent injunction, in addition to monetary sanctions, the Court will order Defendants to completely cease all forms of advertising for its entire carpet cleaning business.

2. Economic Remedy

[38] Upon a finding of trademark infringement, § 1117 of the Lanham entitles a plaintiff, "subject to principles of equity," to recover: "(1) defendant's profits, (2) any damages sustained by the plaintiff, and (3) the costs of the action." 15 U.S.C. § 1117(a). By its very words, the Lanham Act establishes a flexible statutory remedial scheme. "[T]he district court is given broad discretion to award the monetary relief necessary to serve the interests of justice, provided it does not award such relief as a penalty." *Metric & Multistandard Components Corp. v. Metric's Inc.,* 635 F.2d 710, 715 (8th Cir.1980).

a. Distinctive's Profits

[39] [40] [41] [42] Plaintiffs seek to recover Distinctive's profits derived from its carpet cleaning business. Such a remedy is not automatic upon a violation of the Lanham Act. As the Eighth Circuit has explained:

> If a registered owner proves willful, deliberate infringement or deception, an accounting of profits may be based upon (1) unjust enrichment, (2) damages, or (3) deterrence of a willful infringer. However, § 35(a) of the Lanham Act does not permit the award of monetary relief as a penalty. Moreover, because the Act is grounded in equity and bars punitive remedies, an accounting will be denied in a trademark infringement action where an injunction will satisfy the equities of the case.

Minn. Pet Breeders, Inc. v. Schell & Kampeter, Inc., 41 F.3d 1242, 1247 (8th Cir.1994) (internal citations and quotations omitted). An accounting of profits should be limited to cases involving bad faith. *See* Restatement (Third) of Unfair Competition § 37 cmts. e, f.

***1049** The record shows that Distinctive acted in bad faith because its infringement was willful and deliberate. Distinctive's infringing activities persisted despite multiple cease and desist letters and advice from its counsel that "Zerorez" should never be utilized for advertising purposes. Even after stipulating that it would cease using the mark and close approximates in its online advertising, Distinctive continued to infringe. Moreover, the record reflects that Distinctive's infringement was intended to deceive the public. Distinctive was advertising with near identical terms to the "Zerorez" mark knowing, as evidenced through the testimony of its call center manager, that its campaign was causing confusion. Therefore, an accounting of profits is appropriate.

Based on the present record, the Court is unable to accurately determine the amount of Distinctive's profits during the infringement period. Distinctive argues that its profit and loss statements show that it lost $27,279.84 between 2010 through 2013. Plaintiffs disagree, arguing that Distinctive's annual profit and loss statements do not clearly show they are entitled to the operating cost deductions Distinctive claims. Plaintiffs claim they are thus entitled to $259,350, which represents Distinctive's total income of $444,000 from 2010 through 2013 after payroll expenses of $184,647 are subtracted. Supplemental briefing is required before the Court can accurately determine the profit disgorgement that Plaintiffs are entitled to receive.

b. Actual Damages

Plaintiffs argue that they are entitled to the $280,898 ZEROREZ spent in radio and internet advertising to combat the confusion caused by Distinctive's infringement. Distinctive responds that ZEROREZ has failed to identify any actual damages that are causally related to Distinctive's infringement.

Although Plaintiffs are entitled to recovering their actual damages, recovery must await amplification of the record. As it stands, Plaintiffs' request is supported by the bald assertion that certain advertising monies were expended “in an effort to clear up the confusion Distinctive Cleaning created through its advertising campaigns.” Kaplan Aff. ¶ 12. Notably absent, however, is any content of the advertisements Plaintiffs claim were created solely to clear up confusion resulting from Distinctive's infringement. While ZEROREZ may have spent $280,898 in advertising following discovery of Distinctive's infringement, the suggestion that the entire amount was expended *only* to clear up any confusion, divorced from effort to solicit new business, is highly doubtful. Supplemental evidence is therefore required before the Court can accurately determine the amount of actual damages Plaintiffs are entitled to receive.

c. Multipliers and attorney's fees

[43] Plaintiffs finally argue they are entitled to treble damages, due to Distinctive's use of a counterfeit mark, and attorney's fees. The Lanham Act authorizes that a court “in exceptional cases may award reasonable attorney['s] fees to the prevailing party.” 15 U.S.C. § 1117(a). The Eighth Circuit has held “that when a defendant's unlawful conduct ‘was willful and deliberate, the court may well determine that this is the type of ‘exceptional’ case for which an award of attorney's fees is appropriate.' ” *Cmty. of Christ Copyright Corp.,* 634 F.3d at 1013 (quoting *Metric & Multistandard Components Corp.* 635 F.2d at 716). In cases involving use of a counterfeit mark, the award of profits or damages shall be tripled unless the court finds extenuating circumstances. 15 U.S.C. § 1117(b).

This is an exceptional case and Plaintiffs are entitled to an award of reasonable ***1050** attorney's fees. Distinctive's infringement was willful, deliberate, and blatant. Distinctive received two cease and desist letters, direct advice from its counsel, and a court order explicitly prohibiting the use of confusingly similar terms to the protected mark. Despite the clear and repeated warnings, Distinctive's infringement persisted. Therefore, an award of reasonable attorney's fees is appropriate. Given that Defendants' infringement was quite blatant, the Court will closely scrutinize the claimed attorney's fees and will award Plaintiffs an amount that is reasonable under the circumstances.

[44] However, despite the willfulness on the part of Defendants, treble damages are inappropriate. “While the court may increase damages up to three times the amount of actual damages ‘according to the circumstances of the case’, such increased damages ‘shall constitute compensation and not a penalty.’ ” *Ford Motor Co. v. B & H Supply, Inc.,* 646 F.Supp. 975, 998 (D.Minn.1986) (quoting 15 U.S.C. § 1117; *Metric & Multistandard Components Corp.,* 635 F.2d at 715). The Court declines to exercise its discretion to multiply Plaintiffs' financial award. Under the present circumstances, the permanent injunction serves as the most effective remedy to curtail any continued infringement. The parties' submissions clearly demonstrate Plaintiffs financial and marketplace superiority and multiplying any monetary award would impermissibly penalize Defendants for their admittedly willful conduct. The Court trusts that the permanent injunction will serve to clearly maintain the distinction between the parties' respective businesses if the parties continue to compete in the carpet cleaning business.

IV. CONCLUSION

Based upon all the files, records, and proceedings herein, **IT IS HEREBY ORDERED** that Plaintiffs Zerorez Franchising System, Inc. and HSK LLC d/b/

a ZEROREZ's Motion for Summary Judgment [Docket No. 53] is **GRANTED** in part and **DENIED** in part as described herein.

1. As to Count I and the False Designation of Origin claim in Count II of the Complaint [Docket No. 1], Plaintiffs' Motion is **GRANTED.**

2. As to the remaining claims in Count II and Counts III, IV, V, and VI of the Complaint, Plaintiffs' Motion is **DENIED.** These claims are hereby **DISMISSED** as duplicative to Count I and the False Designation of Origin claim in Count II.

3. Defendant Distinctive Cleaning, Inc. and Jennifer Carr are permanently enjoined from using the following terms in connection with any online, print, radio, television, metatag, Google ad-word, flyer, pamphlet, or any other advertising:

   a. Zero

   b. 0

   c. Residue

   or any similar derivation thereof, including, but not limited to, "zerorez," "zerorez," and "rezidue."

4. The parties shall confer and jointly propose a briefing schedule and hearing date on the issues of profits, damages, and attorney's fees.

All Citations

103 F.Supp.3d 1032

Footnotes

1 Plaintiffs contend that they never received a response to the April 20, 2012 cease and desist letter. *See* Compl. ¶ 34; Kaplan Aff. ¶ 11.

2 For a more detailed explanation of AdWords, see the Tenth Circuit opinion in *1–800 Contacts, Inc. v. Lens.com, Inc.,* 722 F.3d 1229, 1235–36 (10th Cir.2013).

3 While not at issue here because "Zerorez" is at least a suggestive mark, "[s]econdary meaning is an association formed in the minds of consumers between the mark and the source or origin of the product." *Co–Rect Prods., Inc. v. Marvy! Advert. Photography, Inc.,* 780 F.2d 1324, 1330 (8th Cir.1985).

4 This purchase is used only to show that Distinctive was aware that ZEROREZ was a competing carpet cleaning business and not as a source of direct liability. Plaintiffs' Complaint does not allege that Distinctive's use of AdWords keywords identical or similar to the protected mark, in and of themselves, constitutes trademark infringement.

5 The Stipulation Order allowed Defendants to use "zero residue," "no residue," "0 residue," and "residue free" in its advertising. Stipulation Order 2. Defendants were free to generally describe that their cleaning services did not leave any residue behind.

End of Document

EXHIBIT 21

772 F.Supp.2d 1172
United States District Court,
C.D. California.

Harry J. BINDER, et al., Plaintiffs,
v.
DISABILITY GROUP, INC., et al., Defendants.

Case No. CV 07–2760–GHK (Ssx).
|
Jan. 25, 2011.

Synopsis

Background: Holders of trademarks related to disability law firm brought action against competitor and principal, alleging infringement, false advertising and unfair competition due to use of marks in advertising campaign through purchase of online search terms.

Holdings: Following bench trial, the District Court, George H. King, J., held that:

[1] holders established ownership of marks used by competitor in advertising campaign;

[2] holders established strong likelihood of confusion;

[3] holders proved false advertising under Lanham Act;

[4] holders proved unfair competition under California law;

[5] damages award accruing from lost profits would issue;

[6] damages accruing from corrective advertising would not issue; and

[7] treble damages based upon willful misconduct would issue.

Judgment for plaintiffs.

West Headnotes (13)

[1] **Trademarks**
Formation;requisites and validity
Trademarks
Persons entitled to sue

Holders of trademarks related to disability law firm established ownership of marks used by competitor in advertising campaign through online search terms, as required to maintain infringement claim under Lanham Act, since holder and succeeding partnership did not become separate legal entities when latter was registered as limited liability partnership (LLP) under New York law, and minor typographical error in conveying mark ownership to partnership did not render conveyance ineffective. Lanham Act, § 32(1)(a), 15 U.S.C.A. § 1114(1)(a); N.Y.McKinney's Partnership Law § 121–1500(d).

Cases that cite this headnote

[2] **Trademarks**
Factors considered in general

Factors used to evaluate likelihood of confusion under Lanham Act include: (1) similarity of marks; (2) strength of plaintiff's mark; (3) proximity or relatedness of goods or services; (4) defendant's intent in selecting mark; (5) evidence of actual confusion; (6) marketing channels used; (7) likelihood of expansion into other markets; and (8) degree of care likely to be exercised by purchasers of defendant's product. Lanham Act, § 32(1)(a), 15 U.S.C.A. § 1114(1)(a).

Cases that cite this headnote

[3] **Trademarks**
Internet cases

Holders of trademarks related to disability law firm established strong likelihood of confusion due to competitor's use of marks in advertising campaign through purchase of online search terms, as required to maintain infringement claim under Lanham Act; majority of individuals polled under survey believed that, when they clicked on competitor's website following search for disability legal services, they were actually being brought to holders' website. Lanham Act, § 32(1)(a), 15 U.S.C.A. § 1114(1)(a).

Cases that cite this headnote

[4] **Trademarks**
Internet cases

Holders of trademarks related to disability law firm established strong likelihood of confusion due to competitor's use of marks in advertising campaign through purchase of online search terms, as required to maintain false advertising claim under Lanham Act; competitor's use of marks deceived potential online clients into thinking that they were being led to holders' website when in fact they were led to competitor's website. Lanham Act, § 43(a), 15 U.S.C.A. § 1125(a).

Cases that cite this headnote

[5] **Antitrust and Trade Regulation**
Passing Off or Palming Off

Under California law, common-law tort of "unfair competition" is generally synonymous with act of passing off one's goods as those of another.

2 Cases that cite this headnote

[6] **Trademarks**
Loss of profits or royalties
Trademarks
Measure and amount

Damages award accruing from lost profits would issue in action brought by holders of trademarks related to disability law firm against competitor and principal, alleging violations of Lanham Act and California law due to use of marks in advertising campaign through purchase of online search terms; subtraction of increased incremental costs from additional revenue that holders would have received from diverted cases represented reliable methodology for lost profits calculation. Lanham Act, §§ 32(1)(a), 43(a), 15 U.S.C.A. §§ 1114(1)(a), 1125(a).

Cases that cite this headnote

[7] **Trademarks**
Corrective advertising

Damages award accruing from cost of corrective advertising would not issue in action brought by holders of trademarks related to disability law firm against competitor and principal, alleging violations of Lanham Act and California law due to use of marks in advertising campaign through purchase of online search terms, where holders presented no evidence of any expenditures actually made to restore value of their marks. Lanham Act, §§ 32(1)(a), 43(a), 15 U.S.C.A. §§ 1114(1)(a), 1125(a).

2 Cases that cite this headnote

[8] **Trademarks**
Enhanced damages;double or treble damages

Treble damages award under Lanham Act, based upon willful misconduct, would issue in action brought by holders of trademarks related to disability law firm against competitor and principal, stemming from defendants' use of marks in advertising campaign through purchase of online search terms; principal not only personally knew that registered trademarks were being used in wrongful manner, but directed and caused it to be done. Lanham Act, § 35(a), 15 U.S.C.A. § 1117(a).

1 Cases that cite this headnote

[9] **Corporations and Business Organizations**
Tortious acts in general

Corporate official may be held personally liable for tortious conduct committed by him, though committed primarily for benefit of corporation.

Cases that cite this headnote

[10] **Trademarks**
Exceptional cases;intent or bad faith
Attorneys' fees are available in "exceptional" Lanham Act infringement cases where acts of infringement can be characterized as malicious, fraudulent, deliberate, or willful. Lanham Act, § 35(a), 15 U.S.C.A. § 1117(a).

1 Cases that cite this headnote

[11] **Antitrust and Trade Regulation**
Punitive or exemplary damages
Punitive damages are available under common-law claim for unfair competition under California law. West's Ann.Cal.Civ.Code § 3294.

1 Cases that cite this headnote

[12] **Damages**
Mitigation of damages and reduction of loss
Under California law, defendant bears burden of proof in establishing that plaintiff has failed to mitigate damages.

Cases that cite this headnote

[13] **Trademarks**
Alphabetical listing
Binder and Binder.

Cases that cite this headnote

Attorneys and Law Firms

***1174** Jessica G. Bower, Thomas M. Galgano, Galgano & Associates, PLLC, Long Beach, NY, Kenneth G. Parker, Haynes and Boone LLP, Robert G. Loewy, Irvine, CA, for Plaintiffs.

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MEMORANDUM OF FINDINGS OF FACT AND CONCLUSIONS OF LAW

GEORGE H. KING, District Judge.

I. Background

We held a court trial on the above-captioned matter from October 5, 2010 through October 7, 2010. We received evidence, heard testimony, observed the manner and demeanor of the witnesses, and considered the declarations and deposition testimony of various persons. On November 18, 2010, we heard closing arguments from the Parties. Having considered all of the foregoing as well as arguments from counsel, we make the following findings of fact and conclusions of law in this Memorandum under Federal Rule of Civil Procedure 52(a)(1).

At trial, Plaintiffs Harry J. Binder; Charles E. Binder; Binder & Binder—The National Social Security Disability Advocates LLC; Binder and Binder—The National Social Security Disability Advocates (N.Y.), LLC; Binder & Binder—The National Social Security Disability Advocates (NJ), LLC; Binder & Binder—The National Social Security Disability Advocates (PA), LLC; Binder & Binder—The National Social Security Disability Advocates (NC), LLC; Binder & Binder—The National Social Security Disability Advocates (FL), LLC; Binder & Binder—The National Social Security Disability Advocates (TX), LLC; Binder & Binder—The National Social Security Disability Advocates (IL), LLC; and Law Offices—Harry J. Binder and Charles E. Binder P.C. (collectively, "Plaintiffs") pursued three claims against Defendants Disability Group, Inc. and Ronald Miller ("Miller" and, collectively, "Defendants"). Plaintiffs' three claims are: (1) trademark infringement under the Lanham Act, 15 U.S.C. § 1114(1); (2) false representation under the Lanham Act, 15 U.S.C. § 1125(a); and (3) unfair competition under California common law.

Both Parties agree that from March 26, 2006 to November 6, 2006 Defendants used Plaintiffs' trademark in an advertising campaign through Google AdWords. Google

AdWords allows advertisers to pay to place targeted "Sponsored Links" on the results page of a Google search. In order to have their ads appear on the search results page, Google advertisers select and bid on AdWords (purchased keywords) so that their ad might be displayed on the search results. Defendants used "Binder and Binder" as AdWords linked to their websites. Defendants raise a number of defenses to Plaintiffs' claims. We discuss each of these claims and defenses in turn below.

II. Plaintiffs' Claims

A. Claim for Infringement of Registered Trademark

Plaintiffs' first claim is that Defendants' use of the "Binder and Binder" mark constituted trademark infringement. To prevail on a trademark infringement claim, a plaintiff must prove by a preponderance of the evidence that it is a holder of a registered trademark, and a defendant used: (1) any reproduction, counterfeit, copy or colorable imitation of a mark; (2) without the registrant's consent; (3) in commerce; (4) in connection with the sale, offering for sale, distribution or advertising of any services; (5) where such use is likely to cause confusion, or to cause a mistake or to ***1175** deceive. 15 U.S.C. § 1114(1)(a); *Century 21 Real Estate Corp. v. Sandlin,* 846 F.2d 1175, 1178 (9th Cir.1988).

Here, there is no dispute that Plaintiffs did not give consent. The use of the AdWords through Google constituted use in commerce in connection with the sale or advertising of Defendants' services. *Playboy Enter., Inc. v. Netscape Commc'n Corp.,* 354 F.3d 1020, 1024 (9th Cir.2004). The Defendants do not dispute that they used Plaintiffs' mark in their Google AdWord campaign. Moreover, we find as a matter of fact that Defendants used the "Binder and Binder" mark in a Google AdWord campaign. We find that Defendants bid successfully on the name with the result that Defendants' website appeared as a sponsored link on Google when potential customers searched for Plaintiffs' trademarked name. Thus, the only two elements in dispute are Plaintiffs' ownership of the marks and the likelihood of confusion.

1. Ownership of the Marks

Plaintiffs claim trademarks for: "Binder & Binder," Trademark Reg. No. 2,161,478; "Binder and Binder," Trademark Reg. No. 2, 161, 479; and Binder & Binder, in a stacked design, Trademark Reg. No. 2,109,191. (Exh. Nos. 330, 331, and 332). These three trademarks were initially registered in 1997 and 1998 to "Binder and Binder (Partnership)." (*Id.*) However, in 2004, the Partnership was registered as an LLP under New York law. In 2006, the trademarks were assigned by the LLP to "Binder & Binder." (Exh. No. 149). In 2009, a correction was filed which stated that the trademarks were intended to be assigned to "Binder and Binder." In 2010, the trademarks were assigned to SSDI Holdings, (Exh. No. 338), and subsequently assigned to "Binder & Binder —The National Social Security Disability Advocates LLC." (Exh. No. 339).

[1] Defendants bring two challenges to Plaintiffs' ownership of these marks. First, Defendants claim there is a defect in the chain of title. Specifically, they argue that in 2006 the assignor did not own the marks it sought to assign to Binder & Binder. The premise of this argument is that Binder and Binder Partnership, the owner of the registered marks, is a separate legal entity from Binder and Binder LLP, which acted as the assignor in 2006. This presents a question of law inasmuch as the Parties do not dispute the underlying facts. We reject Defendants' premise that Binder and Binder Partnership became a separate legal entity when it was registered as a LLP under New York law in 2004.[1] Under New York Partnership Law § 121–1500(d), an LLP is "for all purposes the same entity that existed before the registration and continues to be a partnership without limited partners under the laws of this state." As one court explained: "The statute clearly enunciates that a general partnership that is registered as a RLLP is for all purposes the same entity that existed before registration and continues to be a general partnership under the laws of New York." *Mudge Rose Guthrie Alexander & Ferdon v. Pickett,* 11 F.Supp.2d 449, 452 n. 12 (S.D.N.Y.1998). Thus, we conclude there was no defect in the chain of title to the marks.

Defendants' next argument is that the 2006 assignment to "Binder & Binder" rather than "Binder and Binder" rendered the assignment ineffective. Again, this is a question of law as both Parties agree that the assignment was made to "Binder & Binder" while the name of the partnership at the time was written as "Binder ***1176** and Binder." The question is whether this error has any effect on the ownership of the trademarks. We disagree with Defendants that this recordation has any impact on the claims at issue in this case. *See* TMEP § 503.06(a)(i), U.S. Patent and Trademark Office (6th ed., Rev. 1 Oct. 2009) ("If the original cover sheet contains a typographical error that does not affect title to the application or registration against which the original assignment or name change is recorded, the Assignment Services Branch will correct the Assignment Database and permit the recording party to keep the original date of recordation."). The initial error is not a material defect that impacts title. Defendants still had notice upon viewing the trademark that it was a properly recorded trademark. Although more precision may be desirable when the question is what is the trademark itself, we do not confront that question here. The use of the ampersand rather than the word "and" relates only to describing the entity that owns the trademarks not the precise nature of the trademarks themselves. Thus, we reject both of Defendants' challenges to Plaintiffs' ownership of the marks and conclude that Plaintiffs had valid ownership of the trademarks.

2. Likelihood of Confusion

[2] In evaluating the likelihood of confusion, we consider eight non-exhaustive factors (the "*Sleekcraft* factors") whose relative importance varies from case to case: (1) the similarity of the marks; (2) the strength of the plaintiff's mark; (3) the proximity or relatedness of the goods or services; (4) the defendant's intent in selecting the mark; (5) evidence of actual confusion; (6) the marketing channels used; (7) the likelihood of expansion into other markets;[2] and (8) the degree of care likely to be exercised by purchasers of the defendant's product.[3] *AMF Inc. v. Sleekcraft Boats,* 599 F.2d 341, 348–49 (9th Cir.1979). Moreover, "[i]n the context of the Web in particular, the three most important *Sleekcraft* factors [the 'Internet trilogy'] are (1) the similarity of the marks, (2) the relatedness of the goods or services, and (3) the simultaneous use of the Web as a marketing channel." *GoTo.com, Inc. v. Walt Disney Co.,* 202 F.3d 1199, 1205 (9th Cir.2000).

[3] Here, we find there was a strong likelihood of confusion. Plaintiffs' mark[4] and that used by Defendants are identical—both are Plaintiffs' registered trademark of "Binder and Binder." We find that Plaintiffs' marks are strong based on testimony that Plaintiffs extensively marketed and advertised their services and worked to build their reputation based around their name. (Dick Summer Trial Testimony, Day 1 court trial, 150). The services provided are identical—both Plaintiffs and Defendants are competing for clients for social security disability cases. Defendants intentionally chose Plaintiffs' mark based on its strength and appeal in the market. Additionally, both Plaintiffs and Defendants market their ***1177** products through the Internet and rely upon it to obtain clients.

We also find that potential clients suffered actual confusion regarding the mark. Although the survey conducted by Jessica Bowers may not have been ideal,[5] we find that it is one piece of evidence among others, including witness testimony, that establishes actual confusion. (Exh. No. 308). Sixteen of the seventeen individuals polled under the survey believed that when they clicked on Defendants' website following their search, they were actually being brought to Binder and Binder's website. Fifteen out of seventeen thought that when filling out submission forms on Defendants' site, they were doing so on Binder and Binder's website or someone associated with them.

The deposition testimony of several individuals also establishes that there was actual confusion. (*See, e.g.,* Deposition of Lynn Bouileau, 8 (testifying that she believed she was on the Binder and Binder home page); Deposition of Karen Funk Sellers, 11–12 (testifying she believed she had retained Binder and Binder or someone associated with them); Deposition of Mamon Trotter, Jr., 9 (testifying that he believed he was submitting a form to Binder and Binder or someone associated with them); Deposition of Mary Ann Addington, 14 (testifying that she would not have hired Disability Group if she had known that they had nothing to do with Binder and Binder)). We also note that this deception continued even during real-time discussions with Defendants. For example, Mario Davila made a test call and spoke to Defendants' employee who, unaware that Davila was a Binder and Binder employee, misrepresented Defendants' relationship with Plaintiffs. Defendants claimed that they advertised for Binder and Binder, and Binder and Binder sent them cases. (Mario Davila Trial Testimony, Day 2 court trial, 164–65).

In any event, even without this evidence of actual confusion, we find there is more than enough evidence to establish the likelihood of confusion. Having considered the evidence in the record as well as all the *Sleekcraft* factors, particularly the Internet trilogy, we find there was a strong likelihood of confusion.

Thus, we conclude that Plaintiffs have proven by a preponderance of the evidence that Defendants infringed Plaintiffs' registered trademarks as alleged in the first claim.

B. False Advertising Claim

[4] Plaintiffs also brought suit under 15 U.S.C. § 1125(a) for false advertising. This section states:

> (1) Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which—
>
> > (A) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or ***1178** commercial activities by another person, or
> >
> > (B) in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person's goods, services, or commercial activities,
>
> shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act.

Based on the above findings and conclusions, we conclude that Plaintiffs have proven by a preponderance of the evidence that Defendants used Plaintiffs' mark in their advertising campaign through Google to market their business in a manner that was likely to confuse potential clients and that deceived potential clients into thinking they were being led to Plaintiffs' website. Thus, we conclude that Defendants are liable for the second claim under 15 U.S.C. § 1125(a).

C. State Law Claim for Unfair Competition

[5] Plaintiffs also brought suit under California common law for unfair competition. "The common law tort of unfair competition is generally thought to be synonymous with the act of 'passing off one's goods as those of another.' " *Bank of the West v. Superior Court,* 2 Cal.4th 1254, 1263, 10 Cal.Rptr.2d 538, 833 P.2d 545 (1992). Damages are available under state common law for unfair competition. *Id.* "The tort developed as an equitable remedy against the wrongful exploitation of trade names and common law trademarks that were not otherwise entitled to legal protection." *Fisher Inv., Inc. v. Casper,* No. G039965, 2009 WL 27338, at *10 (Cal.App. Jan. 6, 2009) (quoting *Bank of the West,* 2 Cal.4th at 1263, 10 Cal.Rptr.2d 538, 833 P.2d 545). "According to some authorities, the tort also includes acts analogous to 'passing off,' such as the sale of confusingly similar products, by which a person exploits a competitor's reputation in the market." *Indust. Indem. Co. v. Apple Comp., Inc.,* 83 Cal.Rptr.2d 866, 873 (Cal.App.1999). "The policy term 'unfair competition' clearly includes both 'passing off and the narrower tort of trademark infringement.' " *Id.* Damages are available under the common law tort of unfair competition. *See City Solutions, Inc. v. Clear Channel Commc'n,* 365 F.3d 835, 842 (9th Cir.2004).

Based on the above findings and conclusions, we conclude that Plaintiffs have proven by a preponderance of the evidence that Defendants used Plaintiffs' marks in their online campaign and in doing so attempted to pass off their website as Plaintiffs', and/or infringed on Plaintiffs' trademarks. Thus, we conclude that Defendants are liable for unfair competition under California common law.

III. Damages

A. Lost Profits

[6] We conclude that Plaintiffs' are entitled to an award for lost profits. Plaintiffs earned an average revenue of $3,576.93 per case in California from December 1, 2005 through November 30, 2006.[6] (Exh. No. 228). Plaintiffs retained ***1179** 18.78%[7] of cases for which submission forms were entered on their site. Given that there were 188 submission forms entered on Defendants' site www.disabilitygroup.com (by individuals who had searched for Binder and Binder), a 18.78% retention rate would have translated into 35 additional cases. Thirty-five cases with a revenue of $3,576.93 would have translated into $125,192.55 in additional revenue for Plaintiffs. We reject Defendants' actual retention rate as not reflective of the cases Plaintiffs would have been able to secure had these submissions gone to Plaintiffs.

Based on Plaintiffs' expert, David S. Hanson, CPA, we find that Plaintiffs would have experienced a 5% incremental cost with the added cases. We find that Mr. Hanson's testimony, based on an accounting of Plaintiffs' costs for 2004, 2005, and 2006, is credible regarding the incremental cost Plaintiffs would have spent with the additional cases. (*See* Exh. No. 402). Given the size of Plaintiffs' practice, (over 13,687 cases from December 1, 2005 to November 30, 2006), these 35 cases were within Plaintiffs' ability to absorb with only such incremental costs. (*See* Exh. No. 138). Plaintiffs' business model is one in which many of the expenses are fixed and ***1180** a large number of cases may be handled without escalating costs. Although there undoubtedly is a point at which the number of cases would have escalated costs beyond 5%, (for example at a certain point Plaintiffs would have needed to hire additional attorneys to handle the cases), that point was not reached here. Subtracting the 5% incremental costs from the $125,192.55 additional revenue, we find Plaintiffs would have earned an additional $118,932.92 in profits if not for Defendants' infringement. We find this methodology sufficiently reliable and credible given all the circumstances disclosed on this record.

Defendants also diverted cases through a second website, www.socialsecurity disabilityhelpcenter.com (“Helpcenter site”). There were 622 clicks to this site. There is not specific documentation regarding how many of the clicks resulted in submission forms on this site. Given the similarity of the two sites, we use the click-to-submission ratio from the www.disabilitygroup.com site (“Disabilitygroup site”) to estimate the number of submissions that would have been obtained on this second site. The click-to-submission ratio on the Disabilitygroup site (based on 2,952 clicks which turned into 188 submissions) is 6.37%. Based on this rate, there would have been 40 submissions made on the Helpcenter site. Taking the 18.78% retention rate described above, these 40 submissions translate into roughly 8 retained cases. At the average revenue of $3,576.93 per case, these 8 cases would have resulted in $28,615.44 in additional revenue. Subtracting the same 5% incremental costs from these cases, we find Plaintiffs suffered an additional lost profit of $27,184.68.

We find that Plaintiffs lost a total profit of $146,117.60 from Defendants' infringement on the two sites ($118,932.92 for the Disabilitygroup site and $27,184.68 for the Helpcenter site). [8]

B. Corrective advertising

Plaintiffs also request an award for corrective advertising. “An award of the cost of corrective advertising, like compensatory damage awards in general, is intended to make the plaintiff whole. It does so by allowing the plaintiff to recover the cost of advertising undertaken to restore the value plaintiff's trademark has lost due to defendant's infringement.” *Adray v. Adry–Mart, Inc.,* 76 F.3d 984, 988 (9th Cir.1995). Prospective corrective advertising costs may also be recovered. *Id.* In some instances, courts have authorized an award of corrective advertising in the amount of 25% of a defendant's advertising budget. *See Big O Tire Dealers, Inc. v. Goodyear Tire & Rubber Co.,* 561 F.2d 1365, 1375 (10th Cir.1977).

[7] Plaintiffs have presented no evidence of any expenditures actually made to restore the value of their marks. Instead, they request a prospective corrective advertising award of $99,000, which is 25% percent of Defendants' advertising budget. We are concerned with the lack of any reasonably accurate measure with which to assess an appropriate award of corrective advertising. Although precision is not required, we think an award specifically for corrective advertising in this case would go beyond imprecision. The only known individuals who had negative opinions of Plaintiffs as a result of Defendants' acts have all had their opinion of Plaintiffs restored, ***1181** and there is no indication they harbor any lasting ill-will. Plaintiffs argue that there are others whose mistaken ill-thoughts go uncorrected. Although that is indeed likely, there is no reasonable way to ascertain their existence and to target or include them in a corrective advertising campaign. Further, due to the limited period of infringement and the passage of substantial time, it is unlikely that any such residual misimpressions would, or now could, be remedied. Thus, while we agree with Plaintiffs' argument that there was a greater harm—specifically, to their reputation and the value of their marks—than the mere loss of the cases and profits described above, we decline to award a specific amount for corrective advertising. Any award based on an arbitrary percentage of Defendants' advertising budget is not sufficiently tethered to correcting the nature of the harm suffered in this case.

C. Enhancements, Willfulness, and Miller's Liability

Plaintiffs seek discretionary treble damages under 15 U.S.C. § 1117(a), based on Defendants' willful misconduct. The Lanham Act states that "[i]n assessing damages the court may enter judgment, according to the circumstances of the case, for any sum above the amount found as actual damages, not exceeding three times such amount. If the court shall find that the amount of the recovery based on profits is either inadequate or excessive the court may in its discretion enter judgment for such sum as the court shall find to be just, according to the circumstances of the case. Such sum in either of the above circumstances shall constitute compensation and not a penalty." 15 U.S.C. § 1117(a).

[8] Here, we find that Defendants' conduct was willful —Miller personally knew that the registered trademarks were being used. In fact, he directed and caused it to be done. Given that the question of Miller's involvement and willfulness are intertwined, we discuss them together below.

First, we find credible the evidence in the record that Miller discussed the Google AdWord campaign with David Dimas. Miller had hired Dimas to assess the cost effectiveness of Disability Group's keywords. Dimas prepared a report entitled "Top Scoring Words" which indicated that "binder" was Binder and Binder's top keyword. (Exh. No. 59). The handwritten notes from Dimas and Miller's meeting show that the two discussed this report. (Exh. No. 62). During Miller's testimony, he recalled reviewing some of the reports Dimas had prepared but could not recall the specifics of what he reviewed. We find this testimony—to the extent Miller disavows seeing this report and having knowledge about the strength of Binder's marks as shown in the report—not credible.

Second, following this discussion, Miller discussed the use of Binder and Binder in his ad campaign with Michael Scott Vincent, Defendants' other webmaster. In his declaration, Vincent stated: "In the course of managing Disability Group, Inc Keyword bidding campaign, I submitted thousands of Keywords and Keyword combinations. In some cases I created these on my own and in others I received suggestions from Ron Miller. Among many Keyword suggested, Ron Miller included the words 'binder and binder.' " (Exh. No. 7, p. 2—Declaration of Michael Vincent). During his deposition testimony, Vincent also testified that there was no possibility that the use of the keyword "binder" was not directed by someone at Disability Group. Although Vincent somewhat hedged in his trial testimony, he ultimately acknowledged that this declaration was accurate. We credit Vincent's declaration and deposition testimony, and reject his trial testimony to the extent he denied recollection ***1182** of this conversation. His declaration and deposition testimony were both more specific and closer in time to the occurrence of these events.

Finally, we find Harry Binder's testimony credible as to what Miller said during their phone conversation following discovery of Defendants' use of the mark. Harry Binder testified that he called Miller and asked Miller why Binder and Binder was being used by Disability Group. During his trial testimony, Harry Binder recalled the conversation as:

> Q: And what did you say to Mr. Miller?
>
> A: I asked him if he knew that he was using my name on the Website?
>
> Q: What did he say?
>
> A: He said, "yes." I asked him "why?" He said because they had done studies of the volume of calls for social security disability, and ours was the largest.

(Harry Binder Trial Testimony, Day 1 court trial, 84:12–20). Although Miller claimed that he could not recall this conversation, we find Harry Binder is credible in his account of this conversation. We find Miller is not credible when he claimed a failure of recollection. Given the undisputed harsh tone of the conversation, we find that Miller would certainly have recalled these statements. It is also telling that Miller did not specifically deny having made the foregoing admission. Overall, we disbelieve Miller's purported loss of recollection, and find that he made the above-quoted admissions.

[9] We conclude that this evidence is more than sufficient to establish Miller's personal liability based on his direction of the infringement. "A corporate official may be held personally liable for tortious conduct committed by him, though committed primarily for the benefit of the corporation. This is true in trademark infringement and unfair trade practices cases." *Polo Fashions, Inc. v. Craftex, Inc.,* 816 F.2d 145, 149 (9th Cir.1987); *Transgo, Inc. v. Ajac Transmission Parts Corp.,* 768 F.2d 1001, 1021 (9th Cir.1985) (an "[o]fficer or director is, in general, personally liable for all torts which he authorizes or directs or in which he participates, notwithstanding that he acted as an agent of the corporation and not on his own behalf" (quoting *Murphy Tugboat Co. v. Shipowners & Merchants Towboat Co.,* 467 F.Supp. 841, 852 (N.D.Cal.1979))). The evidence discussed above amply demonstrates that Miller directed and authorized the infringements.

Moreover, this evidence also proves that Defendants' actions were willful. "Willful infringement carries a connotation of deliberate intent to deceive." *Lindy Pen Co. v. Bic Pen Corp.,* 982 F.2d 1400, 1406 (9th Cir.1993). "Courts generally apply forceful labels such as 'deliberate,' 'false,' 'misleading,' or 'fraudulent' to conduct that meets this standard." *Adobe Systems Inc. v. Kern,* No. C 09–1076 CW (JL), 2009 WL 5218005, at *8 (N.D.Cal. Nov.24, 2009) (quoting *Lindy Pen Co.,* 982 F.2d at 1406). Plaintiffs have established willfulness in this case. As described above, Defendants chose Plaintiffs' marks based on the market. In doing so, Defendants intentionally misled potential clients and directed business away from Plaintiffs and to their own websites. Defendants had the deliberate intent to direct clients to their sites with the false impression that they were Binder and Binder. Defendants also intentionally chose Plaintiffs' marks with knowledge that they were registered trademarks and in an attempt to profit from them. For example, one of the reports prepared by Dimas, which we find he and Miller reviewed together, specifically had a ® affixed to Binder and Binder. (Exh. No. 56).

Under 15 U.S.C. § 1117(a), when a defendant acts willfully in its infringement, the Court may award up to treble damages to the plaintiff if it finds that lost profits ***1183** are inadequate. *See Project Strategies Corp. v. Nat'l Commc'n Corp.,* 948 F.Supp. 218 (E.D.N.Y.1996); *Taco Cabana Int'l Inc. v. Two Pesos, Inc.,* 932 F.2d 1113, 1127 (5th Cir.1991) ("An enhancement of damages may be based on a finding of willful infringement, but cannot be punitive."). Here, as described above, we conclude that there is a potential harm from lingering misimpressions that is unlikely to be fully captured by the lost profits. *Taco Cabana Int'l.,* 932 F.2d at 1127 ("[E]nhancement could, consistent with the 'principles of equity' promoted in section 35, provide proper redress to an otherwise undercompensated plaintiff where imprecise damage calculations fail to do justice, particularly where the imprecision results from defendant's conduct."); *see also Getty Petroleum Corp. v. Bartco Petroleum Corp.,* 858 F.2d 103, 113 (2d Cir.1988) ("So long as its purpose is to compensate a plaintiff for its actual injuries-even though the award is designed to deter wrongful conduct-the Lanham Act remains remedial."); *Otis Clapp & Son, Inc. v. Filmore Vitamin Co.,* 754 F.2d 738, 744 (7th Cir.1985) ("[T]he monetary relief granted by the district court must be great enough to further the statute's goal of discouraging trademark infringement but must not be so large as to constitute a penalty."). We have also found that Defendants acted willfully. Based on these findings and our consideration of all factors relevant to the question of enhancement, we exercise our discretion to award enhanced damages in the amount of double the Plaintiffs' lost profits. Such an award is consistent with the compensatory goals of the Lanham Act but is not so great as to be punitive. *See also Getty Petroleum Corp. v. Bartco Petroleum Corp.,* 858 F.2d 103, 113 (2d Cir.1988) ("[Section] 35 of the Lanham Act does not authorize an additional award of punitive damages for willful infringement of a registered trademark. So long as its purpose is to compensate a plaintiff for its actual injuries-even though the award is designed to deter wrongful conduct-the Lanham Act remains remedial."). Thus, we enhance the damages award to $292,235.20.

D. Exceptional Case

[10] An award of reasonable attorneys' fees and costs may be made in "exceptional cases" of trademark infringement. *See* 15 U.S.C. § 1117(a). "While the term 'exceptional' is not defined in the statute, attorneys' fees are available in infringement cases where the acts of infringement can be characterized as malicious, fraudulent, deliberate, or willful." *Rio Props., Inc. v. Rio Int'l Interlink,* 284 F.3d 1007, 1023 (9th Cir.2002).

Based on our above findings and conclusions, we find that Defendants were willful in their use of Plaintiffs' mark. Accordingly, this case is "exceptional." The use of the mark was a deliberate choice with the motive to confuse the market and divert potential Binder and Binder clients towards the Disability Group's websites. *See Earthquake Sound Corp. v. Bumper Indust.,* 352 F.3d 1210, 1218 (9th Cir.2003) (stating a case is exceptional "where the infringement is willful, deliberate, knowing or malicious"). Plaintiffs are entitled to seek an award of reasonable attorneys' fees and costs.

E. Punitive damages

[11] Plaintiffs request an award of punitive damages. Punitive damages are not available under the Lanham Act. *See* McCarthy on Trademarks and Unfair Competition, 30:97 ("[C]ourts have held that punitive damages are not recoverable in cases brought under the federal Lanham Act."). However, punitive damages are available under the common law claim for unfair competition. *Duncan v. Stuetzle,* 76 F.3d 1480, 1490 (9th Cir.1996). In assessing the appropriateness of punitive damages, we look to whether a defendant's ***1184** actions were done with malice, oppression, or fraud. Cal. Civ.Code § 3294. Here, we are not convinced that Plaintiffs have shown malice, oppression, or fraud with clear and convincing evidence. *Waits v. Frito–Lay Inc.,* 978 F.2d 1093 (9th Cir.1992).

Moreover, Plaintiffs are not entitled to punitive damages as a matter of right even if these predicates are established. *Egan v. Mutual of Omaha, Ins. Co.,* 24 Cal.3d 809, 821, 169 Cal.Rptr. 691, 620 P.2d 141 (1979). The ultimate award rests in our discretion. *Id.* We believe that the double damages award is sufficient and reasonable to account for Plaintiffs' losses and Defendants' conduct. Thus, even if the predicates for punitive damages were established, we would exercise our discretion to decline to award punitive damages.

IV. Defendants' Defenses

A. Limitations under 15 U.S.C. § 1111

Defendants invoke 15 U.S.C. § 1111 which states that a registrant of a mark shall not recover if it does not give notice of the registration. The statute provides that notice may be provided "by displaying with the mark the words 'Registered in U.S. Patent and Trademark Office' or 'Reg. U.S. Pat. & Tm. Off or the letter R enclosed within a circle, thus ®.' " However, § 1111 also specifically provides that a defendant cannot assert the plaintiff's failure to use the ® if "the defendant had actual notice of the registration." As described above, we find that the Defendants had actual notice of the registration. Specifically, Miller saw the reports provided to him by Dimas in which Plaintiffs' logo specifically appeared with the ®. (Exh. No. 56) ("Binder & Binder ® America's Most Successful Disability Advocates"). As such, Defendants' argument based on the failure to use a ® is specifically foreclosed by the language of the statute because Miller had actual notice of the registration.

B. Failure to Mitigate

[12] Defendants argue that Plaintiffs failed to take reasonable steps to mitigate their damages and that damages should be limited accordingly. *Thrifty–Tel, Inc. v. Bezenek,* 46 Cal.App.4th 1559, 1568, 54 Cal.Rptr.2d 468 (1996) ("A plaintiff has a duty to mitigate damages and cannot recover losses [he] could have avoided through reasonable efforts."). Defendants bear the burden of establishing that Plaintiffs failed to mitigate. *Fontaine v. National R.R. Passenger Corp.,* 54 Cal.App.4th 1519, 1531, 63 Cal.Rptr.2d 644 (1997) ("defendant bears the burden of proof of establishing the plaintiff has failed to mitigate damages"); *Sias v. City Demonstration Agency,* 588 F.2d 692, 696 (9th Cir.1978) (stating that the defendant bears the burden of proving the failure to mitigate damages).

Defendants argue that the flaws in the chain of title of the trademarks constitute a failure to mitigate damages because they failed to properly protect the marks. As described above, we reject Defendants' contentions of defect in title.

Defendants also argue that the failure to include the ® with their marks with the Google AdWords program was a failure to mitigate. Defendants assert that had Plaintiffs included the ® in conjunction with their mark on Google, Google would have automatically prevented Defendants' use of Plaintiffs' mark. To the extent Defendants argue that they were unaware of the registration of Plaintiffs' marks and this notification from Google would have given them notice, we reject this argument because we have found that Defendants were in fact on prior actual notice of the registration of Plaintiffs' mark.

To the extent Defendants argue that despite their willful attempt to profit from Plaintiffs' mark, their attempt would have been unsuccessful due to the purported ***1185** intervention of the third-party Google, we reject this argument as insufficiently supported by credible evidence. As a matter of fact, we do not credit the testimony of Defendants' witness about the purported blocking action by third-parties who were not present to testify and be subject to cross-examination. Defendants' argument is dependant upon Dimas's testimony regarding how registration works with Google and the purported blocking action that Google takes after a company registers. Dimas based his testimony on his experience with testing out other terms such as "Vioxx" and "Bextra" and that Google would not allow him to use those words as AdWords. (David Dimas, Day 3 court trial, 74:4–24). His testimony, however, only goes to the result—that certain words were blocked. He did not testify as to why Google blocked those words, and the procedures, if any, a trademark holder can undertake *ab initio* to obtain such a block. For example, his testimony is unclear whether a company can preemptively register their marks on Google or whether it is only something that can be done in response to specific complaints about infringements. If it is the latter, then Plaintiffs' failure to preemptively register does not constitute a failure to mitigate at all. Moreover, Dimas's testimony is unsupported by other evidence in the record. Yiu Hang Mui, who wrote Plaintiffs' advertising content on Google, was also asked about the Google purported blocking action during his deposition. Mui's testimony was speculative—he indicated that it was possible to obtain a blocking action through Google but that he did not know the process for obtaining one. (Deposition of Yiu Hang Mui, 23). The exhibit presented by Defendants about the "Ad Content" on Google does not provide any further details about how one can preemptively block others from using their registered marks. (Exh. No. 182). Without sufficient evidence about how and under what circumstances a preemptive block may be obtained, Defendants have not met their burden of showing that Plaintiffs did not take the necessary reasonable steps to mitigate their damages. Accordingly, we conclude that Plaintiffs have not failed to mitigate.

V. Conclusion

Based on the foregoing findings and conclusions, we conclude that Defendants are liable on all three of Plaintiffs' claims. We find that Defendants' infringement was willful. We further award Plaintiffs enhanced damages in the amount of double the lost profits for a total of $292,235.20. We also conclude that Defendant Ronald Miller is personally liable for willfully directing the infringement. Because this is an exceptional case, Plaintiffs are entitled to an award of reasonable attorneys' fees and costs. Given the circumstances of this case, we decline to award either punitive damages or any amount for corrective advertisement. Plaintiffs are thus entitled to a total of $292,235.20. Judgment shall issue accordingly.

IT IS SO ORDERED.

All Citations

772 F.Supp.2d 1172, 97 U.S.P.Q.2d 1629

Footnotes

1 Although it is true that Mr. Binder testified that there was a merger, Mr. Binder's incorrect opinion about the law does not control.

2 There was no evidence presented as to this factor.

3 Plaintiffs briefly mention that "[t]he consumers are not sophisticated purchasers." (Plaintiffs' [Proposed] Findings of Fact and Conclusions of Law, ¶ 97). Plaintiffs offered no specific evidence to support this at trial. Such an inference, however, is supported by the nature of these cases and the type of online searches that were conducted. Nonetheless, given that the other factors are sufficient to support a finding that Defendants' actions were likely to cause confusion, we need not rely on this factor.

4 Although the evidence shows that Defendants actually used only the "Binder and Binder" mark, that use is also confusingly similar to Plaintiffs' other two registered marks so that Defendants' acts constitute infringement of all three marks.

5 We also find that Defendants' behavior contributed to the low answer rate in the survey. For example, we credit Karen Funk Sellers's testimony that a representative of Disability Group called on the telephone and told her to ignore the survey. (Deposition of Karen Funk Sellers, 11 ("[Disability Group] called me on the phone and told me to ignore this letter.")). In light of Defendants' attempt to subvert the survey, their complaints about the purportedly low answer rate are unconvincing. Defendants should not benefit from their attempt to undermine the survey. Moreover, to the extent Defendants object to this testimony on hearsay grounds, that objection is overruled. *See* Fed.R.Evid. 801(d)(2)(D).

6 At closing argument, we questioned Plaintiffs' counsel regarding the sample size as well as the apparent difference between the cases retained in those years as opposed to revenue actually received in that year from cases retained in prior years. Nevertheless, we are convinced that given the overall experience, the nature of Plaintiffs' practice which receives payment only upon successful conclusion of a case that necessarily occurs in a year subsequent to the year of retention, and given that an individual calculation of the very large number of cases over an extended period of years would be impracticable, a gross revenue of $3,576.93 per case is a reasonable calculation notwithstanding our questions, and we so find as a matter of fact. Defendants have not presented any evidence based on an actual individual case analysis to undermine this calculation. (*See* Declaration of Donna Jackson, 3 ("I prepare these reports based upon the data entered daily of the fees earned by Binder and Binder from the Government. These reports are prepared from the data of fees received, which is input [sic] at or near the time the fees are received by an employee with knowledge of the fees. These records are kept in the course of a regulated conducted business activity, and it is the regular practice of Binder and Binder to make these report.")).

To the extent there is not mathematical precision, Defendants bear the risk of such imprecision. *Story Parchment Co. v. Paterson Parchment Paper Co.,* 282 U.S. 555, 563, 51 S.Ct. 248, 75 L.Ed. 544 (1931) ("Where the tort itself is of such a nature as to preclude the ascertainment of the amount of damages with certainty, it would be a perversion of fundamental principles of justice to deny all relief to the injured person, and thereby relieve the wrongdoer from making any amend for his acts. In such case, while the damages may not be determined by mere speculation or guess, it will be enough if the evidence show the extent of the damages as a matter of just and reasonable inference, although the result be only approximate. The wrongdoer is not entitled to complain that they cannot be measured with the exactness and precision that would be possible if the case, which he alone is responsible for making, were otherwise."); *Robi v. Five Platters, Inc.,* 918 F.2d 1439, 1443 (9th Cir.1990) ("It is well-established under California law that while the fact of damages must be clearly shown, the amount need not be proved with the same degree of certainty, so long as the court makes a reasonable approximation."). We also note that this amount, $3,576.93 average per case fee at the three California offices (Hayward, Los Angeles, and Santa Ana), is somewhat less than Binder and Binder's average per case fee nationwide during the same period of time, which was $3,606.69. (Exh. No. 138).

7 During closing argument, we also addressed the 18.78% retention rate on the binderandbinder.com site. Defendants' counsel had argued during trial that a lower retention rate, such as the 4.28% retention rate on Google, was more appropriate. (Exh. No. 141). However, the 18.78% rate is the more appropriate because the consumers who were confused in this case were looking specifically for Binder and Binder. (*See e.g.,* Deposition of Stacey Heinzman, 8 (describing that she searched specifically for Binder and Binder after seeing their ad on television); Deposition of Lynda L. Boileau, 7 (same); Deposition of Mamon Trotter, Jr., 8 (same)). Defendants have provided no evidence of why the other alternative retention rates, such as the general Google retention rate, would be more accurate than the retention rate on the specific Binder and Binder site. Thus, we find that the 18.78% rate from Binder and Binder's website is more appropriate given that is where the consumers would have ended up if not for Defendants' infringements—it is the site these consumers were specifically looking for.

8 Defendants also challenge the expert's report because it relies, in part, on hearsay. Although the expert testimony and report were based in part on hearsay, experts are allowed to rely on hearsay. *Carson Harbor Village, Ltd. v. Unocal Corp.,* 270 F.3d 863, 873 (9th Cir.2001) ("experts are entitled to rely on hearsay in forming their opinions"). We find and conclude that the hearsay relied on by Plaintiffs' expert is of the type reasonably relied upon by experts in Mr. Hanson's field.

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EXHIBIT 22

2010 WL 1743189
United States District Court,
D. Arizona.

SKYDIVE ARIZONA, INC., Plaintiff,
v.
Cary QUATTROCCHI, et al., Defendants.

No. CV–05–2656–PHX–MHM.
|
April 29, 2010.

Attorneys and Law Firms

Sid Leach, Snell & Wilmer LLP, Phoenix, AZ, for Plaintiff.

Ivan Kurian Mathew, Mathew & Associates, Phoenix, AZ, for Defendants.

PERMANENT INJUNCTION

MARY H. MURGUIA, District Judge.

***1** Currently before the Court is Plaintiff Skydive Arizona's request for injunctive relief. (Dkt.# 420). This case went to jury trial in late September of 2009, and the jury reached its verdict on October 2, 2009. The jury found Defendants liable for violations of Lanham Act §§ (trademark infringement), 43(a) (false advertising), and 43(d) (cybersquatting). The Court issued an order on March 31, 2010, resolving the issues raised by the Parties in their post-trial motions. It did not at that time, however, consider the issue of injunctive relief as it had only received briefing concerning the issue from Plaintiff Skydive Arizona on March 24, 2010, (Dkt.# 420), and from Defendants' on March 31, 2010. [1] (Dkt.# 422). Now, having had an opportunity to review both Parties briefs concerning injunctive relief, and having determined that oral argument is unnecessary, the Court issues the following Order.

I. DISCUSSION

A. *Legal Standard for Permanent Injunctive Relief*
Pursuant to 15 U.S.C. § 1116, district courts have the "the power to grant injunctions according to principles of equity and upon such terms as the court may deem reasonable, to prevent the violation of any right of the trademark owner." *Perfumebay.com Inc. v. EBAY, Inc.,* 506 F.3d 1165, 1177 (9th Cir.2007). A an injunction may only be entered, however, where the plaintiff demonstrates: "(1) that it has suffered an irreparable injury; (2) that remedies available at law, such as monetary damages, are inadequate to compensate for that injury; (3) that, considering the balance of hardships between the plaintiff and defendant, a remedy in equity is warranted; and (4) that the public interest would not be disserved by a permanent injunction." *eBay Inc. v. MercExchange, L.L.C.,* 547 U.S. 388, 391, 126 S.Ct. 1837, 164 L.Ed.2d 641 (2006). Traditionally, courts have presumed irreparable harm once a plaintiff established a likelihood of confusion. *See, e.g., Vision Sports, Inc. v. Melville Corp.,* 888 F.2d 609, 612 n. 3 (9th Cir.1989) ("trademark infringement or unfair competition actions, once the plaintiff establishes a likelihood of confusion, it is ordinarily presumed that the plaintiff will suffer irreparable harm if injunctive relief is not granted."). In light of the Supreme Court's decision in *eBay,* many district courts have ceased this practice, refusing to afford plaintiffs a presumption of irreparable harm. *See, e.g., Metro–Goldwyn–Mayer Studios, Inc. v. Grokster,* Ltd., 518 F.Supp.2d 1197, 1211 (C.D.Cal.2007); ("[T]he presumption of irreparable harm no longer inures to the benefit of Plaintiffs."); *IMX, Inc. v. LendingTree, LLC,* 469 F.Supp.2d 203, 224 (D.Del.2007) (same); *see also MDY Indus., LLC v. Blizzard Entm't, Inc.,* 616 F.Supp.2d 958, 974 (D.Ariz.2009) (same, but in a patent law case). As one such court in this circuit explained:

> The *eBay* Court plainly stated that Plaintiffs "must demonstrate" the presence of the traditional factors, and therefore have the burden of proof with regard to irreparable harm. If this Court adopted a presumption of irreparable harm in favor of Plaintiffs, then [Defendant] would effectively have the burden of proving the contrary. Such a rule would contravene the Supreme Court's intent that Plaintiffs establish not merely that infringement causes "harm," but how it amounts to irreparable harm.

***2** *Grokster,* 518 F.Supp.2d at 1211. The Court finds this reasoning sound and will likewise decline to apply the presumption of irreparable harm. Having so determined, the Court will now consider whether Plaintiff has satisfied the four-part test for a permanent injunction.

B. *The Four–Part Test*

1. Irreparable Harm

Plaintiff argues that Defendants' violations of Lanham Act §§ 32 and 43(a) caused it irreparable harm. In support of this argument, Plaintiff asserts that its goodwill and reputation amongst the general public has been damaged and, absent an injunction, it will further lose control over its reputation and goodwill. Injuries to goodwill and business reputation are generally considered to be intangible and, as a result, irreparable. *See, e.g., Rent–A–Center, Inc. v. Canyon Television and Appliance Rental, Inc.,* 944 F.2d 597, 603 (9th Cir.1991) ("[W]e have also recognized that intangible injuries, such as damage to ongoing recruitment efforts and goodwill, qualify as irreparable harm."); *MySpace, Inc. v. Wallace,* 498 F.Supp.2d 1293, 1305 (C.D.Cal.2007) ("Harm to business goodwill and reputation is unquantifiable and considered irreparable."). Intangible injuries, such as loss of goodwill, are irreparable because quantifying their harm is, in most cases, impractical or impossible, and, as a result, such injuries cannot be fully remedied with a financial award. *Cf. id.* ("It is true that economic injury alone does not support a finding of irreparable harm, because such injury can be remedied by a damage award.").

At trial, Plaintiff introduced evidence addressing the loss of goodwill and business reputation it suffered as a result of Defendants' actions. James Flynn testified that Defendants' representatives told him that the skydiving certificates he purchased from Defendants were redeemable at Skydive Arizona's Eloy, Arizona, facility, when in fact they were not. Cheryl Preston testified that she specifically searched the internet for Skydive Arizona, but was confused into believing that Defendant's website was actually Skydive Arizona's website. Ms. Preston further testified that she twice called Defendants to confirm that the skydiving certificate she purchased was redeemable at Skydive Arizona, and that Defendants' representatives twice told her it was, when it was not. Additionally, Betsy Barnhouse testified that an angry customer of Defendants' called Skydive Arizona to complain that Skydive Arizona had ruined her Christmas, when in reality the source of the customer's displeasure were Defendants. Plaintiff also put on evidence of the difference in quality between the facilities and services advertised on Defendants websites—facilities and services that matched those offered by Skydive Arizona—and those that customers found at the jump sites to which they were directed. In light of the forgoing evidence, it is reasonable to infer that other customers of Defendants had negative experiences similar to the ones outlined above, but never called Skydive Arizona to complain or never realized that the company with which they had done business was not Skydive Arizona. As a result, this Court concludes that Plaintiff's business reputation and goodwill was unquestionably harmed by Defendants.

***3** Defendants argue, however, that even if Skydive Arizona suffered reputational harm, any such injury is not irreparable and, in fact, has been repaired through the jury's $2,500,000 award in damages. Defendants' position is understandable, as Plaintiff, in defending against Defendants' post-trial motion for remittitur, argued, at least in part, that the jury's damage award was not excessive or unreasonable because of the harm to its reputation and loss of goodwill. Plaintiff, however, did not attempt to quantify its reputational damages at trial, it merely put forth evidence of the fact of those damages. Ultimately, the jury was asked to consider many factors when reaching its damage awards, including injury to Plaintiff's reputation and loss of good will, the expense of preventing customers from being deceived, and the cost of future corrective advertising reasonably required to correct public confusion caused by the infringement. This Court cannot know to what extent the jury's award was meant to compensate Plaintiff solely for reputational harm versus the other factors it was to consider in calculating actual damages. At best Plaintiff has received some compensation for its reputational harm. Because of that harm's intangible nature, however, the Court cannot say Plaintiff has been fully compensated for its injury or, more importantly, what amount of money would or could provide such compensation. It must, therefore, conclude that Plaintiff's loss of reputation and goodwill is an irreparable injury. *MDY Indus., LLC v. Blizzard Entm't, Inc.,* 616 F.Supp.2d 958, 974 (D.Ariz.2009) (finding irreparable injury because plaintiff could not "determine the extent of damage caused by [defendant] to [plaintiff's] reputation and customer goodwill.").

2. Remedies at Law

In the context of trademark law, the second prong of the permanent injunction test-the availability of remedies at law—is closely related to the first-irreparable injury. *Blizzard Entm't, Inc.,* 616 F.Supp.2d at 974. This relationship exists because traditional legal remedies, such as monetary damages, insufficiently alleviate the reputational harm often caused by infringement. *Id.* As the Court has already noted, the damage to Plaintiff's business reputation and good will cannot be calculated with certainty. Accordingly, the Court finds that Plaintiff that remedies at law are insufficient to alleviate Plaintiff's harm.

3. Balance of Hardships

The primary hardship that an injunction would cause Defendants is the loss of profits stemming from its business. Where, however, such profits are the result of an infringing activity, a defendant's claim of hardship "merits little equitable consideration." *Triad Sys. Corp. v. Se. Express Co.,* 64 F.3d 1330, 1338 (9th Cir.1995) ("Where the only hardship that the defendant will suffer is lost profits from an activity which has been shown likely to be infringing, such an argument in defense merits little equitable consideration.") (internal quotation and citation omitted)); *see Blizzard Entm't, Inc.,* 616 F.Supp.2d at 974 ("An injunction may force the closure of [the defendant's] business, but that business is based on contributory and vicarious copyright infringement. The hardship factor favors an injunction."). On the other hand, should Defendants continue to infringe Plaintiff's trademark and engage in false advertising, Plaintiff will suffer considerable hardship, as potential customers will once again be confused, business will be lost, goodwill will be further eroded, and Plaintiff will almost assuredly have to incur the expense of undertaking duplicative litigation to once again protects its rights. In light of the foregoing considerations, the balance of hardships weighs in favor of injunction. *See Castol, Inc., v. Penzoil Co.,* 799 F.Supp. 424, 440 (D.N.J.1992) ("Pennzoil can assert no equitable interest in the perpetuation of an advertising campaign that is literally false.").

4. Public Interest

***4** Finally, the Court must determine if the public interest would be served by the issuance of a permanent injunction. The purpose of the Lanham Act is twofold; it protects owners by securing the goodwill of their business, and it protects the public against misleading or falsely marked goods. *Maier Brewing Co. v. Fleischmann Distilling Corp.,* 390 F.2d 117, 120 (9th Cir.1968) (citing S.Rep. No. 1333, 79th Cong., 2d Sess. 1–2 (1946)); *see Coca–Cola Co. v. Overland, Inc.,* 692 F.2d 1250, 1256 (9th Cir.1982) ("The basic policy behind the Lanham Act is to protect customers against likelihood of confusion."). Accordingly, the public, not just the private litigant, is harmed by an inadequate response to trademark infringement or other Lanham Act violations. *Playboy Enters., Inc. v. Baccarat Clothing Co., Inc.,* 692 F.2d 1272, 1275 (9th Cir.1982). The only opposing public interest identified by Defendants is that in competition. While preserving competition is undoubtedly in the public's interest, it does not weigh against an injunction in this case. To the contrary, the conduct for which Defendants have been held liable—trademark infringement, false advertising, and cybersquatting—subverts competition by confusing consumers and eliminating the level playing field that is essential to our free-market system. And Defendants exploited that confusion to their competitive advantage, mitigating against their claims that an injunction will harm competition. *See Blizzard Entm't, Inc.,* 616 F.Supp.2d at 974 ("The public interest may favor full and honest competition, but [the defendant] ultimately is an exploiter, not a competitor."). Entry of an injunction will protect the public interest, not harm it. *See Castrol,* 799 F.Supp. at 440 (stating that permanent injunctive relief is appropriate to protect the public interest in a false advertising case).

C. *The Scope of Injunctive Relief*

Having determined that equitable considerations support an injunction, this Court now turns to the scope of that injunction.

1. Relief for Defendants' violation of Lanham Act § 32

The Court begins by considering Plaintiff's request for injunctive relief pursuant to Defendants' violation of Lanham Act § 32, i.e. the trademark infringement. Plaintiff prays this Court enter a broad injunction that prohibits Defendants not only from utilizing Plaintiff's "Skydive Arizona" trademark, but also prevents Defendants from using the word "Arizona" in conjunction or in combination with "Skydive" or "Skydiving" on any website or any advertising or promotional materials. In a trademark infringement case, the district court has broad discretion to craft the appropriate remedy. *See Coca–Cola,* 692 F.2d at 1256. And in this case a broad injunction is warranted, as the litigants both offer similar services—they sell skydives. *See Perfumebay.com,* 506 F.3d at 1177 ("When the infringing use is for a similar service, a broad injunction is especially appropriate.").

***5** Having determined that injunctive relief is appropriate, the minimum this Court must do is enjoin Defendants from further using Plaintiff's trademark, "Skydive Arizona." Similarly, in its Complaint, Plaintiff alleged that Defendants' use of "Skydiving Arizona," and "Arizona Skydiving" also violated its Skydive Arizona trademark and presented evidence in support of these assertions at trial. While the jury did not make a separate determination of trademark infringement concerning these marks—it just found infringement generally—it did decide that Defendants violated Lanham Act § 43(d) by registering <arizonaskydiving.com>, <skydivingarizona.com>, suggesting it considered Defendants use of Arizona Skydiving and Skydiving Arizona to be infringing. Accordingly, to avoid duplicative litigation and in exercise of its substantial discretion, the Court will also enjoin Defendants from using "Skydiving Arizona" or "Arizona Skydiving." *See Coca–Cola,* 692 F.2d at 1256 ("The district court has substantial discretion in defining the terms of an injunction...."). The Court must now consider how much further, if at all, the reach of this injunction should extend.

The Ninth Circuit recognizes that an infringer has a duty to keep a "safe distance" from the trademark it previously infringed. *See Wolfard Glassblowing Co. v. Vanbragt,* 118 F.3d 1320, 1323 (9th Cir.1997). In other words, when reentering the marketplace an infringer is not permitted to make merely minimal changes to its infringing mark *Id.* Instead, to prevent further likelihood of confusion amongst potential customers, "an infringer must keep away from the 'margin line' " of the plaintiff's mark. *Id.* (quoting *Plough, Inc. v. Kreis Labs.,* 314 F.2d 635, 639 (9th Cir.1963)). Plaintiff argues that the safe-distance rule supports the entry of an injunction that preemptively prohibits Defendants from using the words "Skydive" and "Arizona" in conjunction or combination with one another. The authority to which Plaintiff has cited, however, only discusses the safe-distance rule in the context of an alleged violation of an injunction or consent decree. *See, e.g., Wolfard Glassblowing,* 118 F.3d at 1322 ("The basic issue is whether [the defendant] violated the consent judgment by marketing "colorable imitations" of [the plaintiff's] oil lamps."); *Plough, Inc. v. Kreis Labs.,* 314 F.2d 635, 639 (9th Cir.1963) ("Appellees later either violated the injunction, or they did not."). This suggests that Courts apply the safe-distance rule remedially, not prospectively when crafting injunctive relief. In other words, the safe-distance rule informs whether an injunction or consent decree has been violated, not the crafting of the consent decree or injunction in the first instance. On the other hand, the cases to which Plaintiff cites also show that infringers are routinely enjoined from more than just not using plaintiff's trademark. In *Plough,* for example, the district court's injunction prohibited use of names "confusingly similar" to the plaintiff's trademarks. Likewise, in *Eskay* and *Wolfard,* the injunction prohibited the use of "colorable imitations" of a plaintiff's trademark.

***6** In its papers, Plaintiff asserts that Defendants have made only minor or insignificant changes to their infringing websites and business practices in response to this litigation. For instance, Plaintiff has attached an exhibit showing that Defendants have changed the name of one of their fictitious websites from "Skydiving Arizona" to "Skydiving in Arizona." In light of this exhibit and other evidence demonstrating Defendants reluctance to alter their business practices, the Court is concerned that Defendants intend to push or are already pushing the boundaries of acceptable usage. Accordingly, this Court will prohibit Defendants from using Plaintiff's trademark or any other "confusingly similar" marks as part of its business operation.

The Court, however, is unwilling, at this time, to conclude that the mark "Skydiving in Arizona" violates the safe distance rule or is confusingly similar to "Skydive Arizona." The phrase "Skydiving in Arizona" was not part of this litigation and taking such a step would deprive Defendants of their right to an adversarial process to determine likelihood of confusion. Likewise, the Court will decline Plaintiff's invitation to limit all possible combinations of the words "Skydive" and "Arizona" or their use together in a sentence. While it is likely that many such combinations will run afoul of the injunction, it is also possible that some will not, especially given the generic nature of these two words. Conversely, prohibiting Defendants from using a confusingly similar or colorable imitation of Plaintiff's trademark captures the spirit of the safe-distance rule, but does not necessitate its prospective application. The Court notes, however, that in any enforcement action, Plaintiff will not have to re-prove every element of infringement. *See Wolfard Glassblowing,* 118 F.3d at 1322 ("We agree with the Second Circuit that a plaintiff ... who already has a judgment establishing that the defendant has infringed, is not required to muster all of the evidence it would need to make out an original infringement case in order to prove contempt.") Instead, it will merely have to prove Defendants are using a mark that is confusingly similar to or a colorable imitation of Plaintiff's protected mark, but under a lessened standard than at trial. *Id.* at 1322–23 (noting that a party attempting to enforce an injunction is "need not prove a likelihood of consumer confusion in the same manner that we would require in a trademark infringement case."). This places a heavier burden on an infringing party than is imposed on a newcomer to the marketplace, but is justified because "a party who has once infringed a trademark may be required to suffer a position less advantageous than that of an innocent party." *Id.* at 1323. (quoting *Wella Corp. v. Wella Graphics,* Inc., 37 F.3d 46, 48 (2d Cir.1994)).

Plaintiff also requests that this Court prohibit Defendants from using the "Skydive Arizona" trademark or other confusingly similar terms in links or keywords on their websites. The Court finds that such relief is appropriate, especially because Defendants' business primarily utilizes the internet, and will extend Plaintiff's request to include the phrases "Arizona Skydiving" and "Skydiving Arizona" as well. Persons searching for Plaintiff's business should not be erroneously led to Defendant's website due to these marks placement in a meta tag or other link on Defendant's websites. *See, e.g., Bernina of America, Inc. v. Fashion Fabrics Intern., Inc.,* 57 U.S.P.Q.2d 1881, 1884 (N.D.Ill.2001) (preliminarily enjoining defendant from using plaintiff's trademark in meta tags); *DeVry/Becker Educ. Dev. Corp. v. Totaltape, Inc.,* 2002 U.S. Dist. LEXIS 1230, *7–8 (N.D.Ill. Jan. 22, 2002) (enjoining use of plaintiff's trademark in internet links and keywords, and "in any other manner in connection with the internet that would cause consumers to believe erroneously that [defendant's] goods or services are somehow sponsored by, authorized by, licensed by, or in any other way associated with [plaintiff]".). In taking this step, the Court is not unaware of Defendants' concerns that the generic nature of the words "skydive" and "Arizona" will unfairly prevent Defendants from practicing their business in Arizona. The injunction, however, is not a blanket prohibition against using these words on its website or in meta tags. It merely prohibits Defendants from using "Skydive Arizona," "Arizona Skydiving," "Skydiving Arizona," and any other combination of those words that is confusingly similar to that mark. There is, for example, a difference between using those words in combination as proper nouns, and merely utilizing them individually or in the course of a sentence. The former, depending on the circumstances, is likely prohibited by this injunction, but the latter usage probably is not.

2. Relief for Defendants' violation of Lanham Act § 43(a)

***7** The Court next turns to Plaintiff's request for injunctive relief related to Defendants' violation of Lanham Act § 43(a). Under 15 U.S.C. § 1116, Courts may grant injunctions when a defendant has committed a violation of § 43(a). This includes enjoining commercial advertising, despite its status as speech. *U–Haul Intern., Inc. v. Jartran, Inc.,* 793 F.2d 1034, 1042 (9th Cir.1986) ("The district court was correct in granting this injunctive relief. Nothing is clearer in the emerging law of commercial free speech than that false or misleading commercial speech is clearly 'subject to restraint.' ")

At summary judgment, this Court found that Defendants made false statements of fact in commercial advertisements. Specifically, it found that numerous websites operated by Defendants falsely claimed Defendants owned or operated skydiving centers in Arizona, Phoenix, Tempe, Scottsdale, Mesa, Glendale, Yuma, Flagstaff, Chandler, Peoria, and Tucson when Defendants neither owned nor operated any such facilities. Additionally, the Court found that Defendants engaged in unfair competition by using photographs of Plaintiff's business on their website.[2] There is little question that allowing Defendants to continue the practices which caused it be found liable for violating § 43(a) would not effectuate the statute's remedial purpose. *See Planetary Motion, Inc. v. Techplosion, Inc.,* 261 F.3d 1188, 1193 (11th Cir.2001) ("Section 43(a) is remedial in nature and should be interpreted and applied broadly so as to effectuate its remedial purpose."). And absent an injunction, the Court is concerned Defendants will continue its unlawful behavior. Accordingly, the injunction will prohibit Defendants from using photographs or other images that depict Plaintiff's business. It will also prohibit Defendants from falsely stating, suggesting, or implying that it owns or operates skydiving services in Arizona where none exist.

Once again, Plaintiff would like this Court to go further than merely prohibiting the conduct for which Defendants have been found liable. Specifically, Plaintiff wants Defendants enjoined from operating any website or using any domain name that utilizes the word "Arizona" or the name of any Arizona city as part of a business or domain name. It argues that Defendants' use of "Arizona" or the names of Arizona cities are false designations and misrepresentations of geographic origin in violation of § 43(a) (1)(B) and § 43(a)(1)(B) of the Lanham Act. Plaintiff, however, has not proved as much during the course of this litigation. As mentioned before, this Court's finding of an actionable false statement focused on Defendants' misrepresentations that it operated skydiving centers, not the mere use of geographic terms related to Arizona. Similarly, the Court did not conclude that Defendants' ownership or usage of domain names using Arizona cities was violative of section 43(a), just that Defendants used false statements on those websites. Plaintiff's proposed injunction, therefore, would go well beyond preventing Defendants from repeating the conduct that spurred this lawsuit and would, as a result, unfairly penalize Defendants and hinder their ability to conduct legitimate business in Arizona. Plaintiff is entitled to be free from unfair competition, but not competition altogether. If Defendants are honest about the services they provide —selling tickets redeemable at participating skydiving centers—it is quite possible their business will not run afoul of the Lanham Act, and they should be given that opportunity.

***8** Likewise, this Court also rejects Plaintiff's request that this Court limit Defendants to one website in connection with any business that involves selling certificates for skydiving, or other adventure sports. Plaintiff is overreaching. Despite it being the more common practice in the business community, there is no law mandating a business have only one website. Additionally, this Court cannot permit Plaintiff to use this lawsuit as a vehicle to police Defendants' actions throughout the country; actions that have not been proven to be illegal in a court of law.

3. Relief for Defendants' violation of Lanham Act § 43(d)

Finally, Plaintiff requests a permanent injunction relating to Defendants violation of Lanham Act § 43(d), i.e. cybersquatting. At trial, the jury determined that six websites—<arizonaskydive.net>, <arizonaskydiving.com>, < skydivingarizona.com>, "<skydivingaz.com>, <skydivearizona.net>, and < arizonaskydive.com>—violated § 43(d). In the face of a violation, § 43(d) specifically authorizes this Court, at its discretion, "to order the forfeiture or cancellation of the domain name or the transfer of the domain name to the owner of the mark." 15 U.S.C. 1125(d)(1)(C). In its discretion, the Court will order the foregoing domain names transferred to Plaintiff. It will not, however, order the transfer of <skydivinginarizona.com> to Plaintiff, nor will it enjoin Defendants from owning or using any domain name that includes any combination of the words "skydive" and "arizona." Such steps would go well beyond the jury's verdict and may prohibit Defendants from engaging in legitimate business in Arizona, which, despite the outcome of this lawsuit, is still their right.

Accordingly,

IT IS HEREBY ORDERED that pursuant to the Court's equitable powers, and in accordance with 15 U.S.C. §§ 1116(a) & 1125(d)(1) (C) and Rule 65 of the Federal Rules of Civil Procedure, Defendants Cary Quattrocchi, Ben Butler, USSO LLC, Atlanta SC, Inc., CASC Inc., IGOVincent, Inc., and any other d/b/a or entity name used currently or in the future by any Defendant including Thrillplanet, Soaring Sports, and Adventure Sports, their officers, agents, servants, employees, and attorneys, and all other persons who are in active concert or participation with any of them, who receive actual notice of this Injunction by personal service, or otherwise, are hereby permanently restrained and enjoined as follows:

1. from using the trademark "Skydive Arizona," or any marks that are confusingly similar or colorable imitations of that trademark, in connection with the sale, advertising or promotion of any products or services;

2. from using "Skydiving Arizona" or "Arizona Skydiving" in connection with the sale, advertising or promotion of any products or services;

2. from using the trademark "Skydive Arizona," or any marks that are confusingly similar to or colorable imitations of that trademark, and from using "Skydiving Arizona," and "Arizona Skydiving," on or in connection with or as part of any website, including in meta tags, keywords in pay-for-placement or payfor-rank search engines, in source code or other computer code, for the retrieval of data or information or as search terms, in the

domain names of any websites, in any titles, headings, statements, links or other text appearing on any page of any website in any location on any websites registered, owned, or used, directly or indirectly, by any of the Defendants;

***9** 4. from using in connection with any skydiving products or services, any promotional materials, advertisements, fliers, brochures, proposals, labels, signs, contracts, invoices, or any Internet or on-line website, which suggest that Defendants own or operate a skydiving center in Arizona where they do not in fact own and operate a skydiving center;

5. from using, copying, or reproducing graphics, images, photographs or other material depicting any of Skydive Arizona's aircraft, staff, facilities, teams, or photos taken at events located at or sponsored by Skydive Arizona;

IT IS FURTHER ORDERED that pursuant to 15 U.S.C. § 1125(d) (1)(C), Defendants Cary Quattrocchi, Ben Butler, USSO LLC, Atlanta SC, Inc., CASC Inc., IGOVincent, Inc., and any other d/b/a or entity name used currently or in the future by any Defendant including Thrillplanet, Soaring Sports, and Adventure Sports, their officers, agents, servants, employees, and attorneys, and all other persons who are in active concert or participation with any of them, who receive actual notice of this Injunction by personal service, or otherwise, are hereby ordered to transfer to Plaintiff Skydive Arizona within ten (10) business days from the entry of this Injunction the following domain names: < arizonaskydive.net>, <arizonaskydiving.com>, <skydivingarizona.com>, < skydivingaz.com>, <skydivearizona.net>, and +arizonaskydive.com>; and are hereby permanently restrained and enjoined from registering, owning, using, or controlling, directly or indirectly, those domain names in the future.

All Citations

Not Reported in F.Supp.2d, 2010 WL 1743189, 2010-1 Trade Cases P 77,025

Footnotes

1 In its response memorandum, Defendants argue that this Court should not enter an injunction because Plaintiff's request for such relief is untimely and was not in the Joint Pre–Trial order. (Dkt.# 422, p. 2) The Court has considered both arguments and finds them meritless.

2 This Court has colloquially referred to § 43(a) as prohibiting false advertising, but it actually encompasses much more. Namely, § 43(a) protects the public and business owners against misrepresentations concerning geographic origin, false or misleading statements concerning the characteristics and qualities of services offered in commercial advertising, and the use of false designations of origin and misleading representations of fact which are likely to cause confusion or mistake or deceive the public concerning a business's origin, sponsorship, and commercial activities. *See* 15 U.S.C. § 1125(a)

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EXHIBIT 23

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF MICHIGAN

DECORATETODAY.COM, INC. (d/b/a and f/k/a AMERICAN BLIND AND WALLPAPER FACTORY, INC.), a Delaware corporation,

Plaintiff,

v.

Case No. 01-CV-70804-DT

Hon. Gerald E. Rosen

AMERICAN BLIND & ACCESSORY CO., INC., a Nevada corporation, and DIRECTORY ONE, INC., a Texas corporation,

Defendants.

PERMANENT INJUNCTION ORDER

Pursuant to Rule 65 of the Federal Rules of Civil Procedure and the Temporary Restraining Order entered by this Court on March 2, 2001, in connection with the Motion for Temporary Restraining Order or Permanent Injunction filed by Plaintiff decoratetoday.com, Inc. (d/b/a/ and f/k/a American Blind and Wallpaper Factory, Inc.) ("American Blind"); the parties having received notice of this hearing to show cause why a permanent injunction should not issue; and Court having reviewed the papers submitted in connection therewith, and being otherwise fully advised in the premises,

NOW, THEREFORE, IT IS HEREBY ORDERED:

1) That Defendants, and their officers, directors, shareholders, partners, agents, subcontractors, servants, employees, subsidiaries and related companies or entities, and all others acting in concert or participating with them (hereinafter the "Enjoined Parties"), are permanently enjoined from:

a) directly or indirectly selling, offering for sale, promoting, distributing, or advertising window blinds and other window treatments, wall coverings or other home decorating goods or services (hereinafter the "Goods") by or through the use of the Internet domain name "www.americanblindcompany.com" (hereinafter the "Domain Name") or any other Internet domain name that uses or incorporates the word "American" in any variation or combination with the word "Blind," either singular or plural, or in any manner that otherwise is likely to cause confusion, mistake, or deception with respect to American Blind's trademarks or service marks;

b) using the Domain Name or any other Internet domain name that uses or incorporates the word "American" in any variation or combination with the word "Blind," either singular or plural, or in any manner that otherwise is likely to cause confusion, mistake, or deception with respect to American Blind's trademarks or service marks;

c) using American Blind's trademarks, services marks or the word "American" in any variation or combination with the word "Blind," either singular or plural, or in any manner that otherwise is likely to cause confusion, mistake, or deception with respect to American Blind's trademarks or service marks, in connection with any advertising, promotion or solicitation;

d) using American Blind's trademarks, services marks or the word "American" in any variation or combination with the word "Blind," either singular or plural, or in any manner that otherwise is likely to cause confusion, mistake, or deception with respect to American Blind's trademarks or service marks, in connection with any Internet website (or metatags or source codes therein contained) that is owned, operated, hosted, designed, or controlled by the Enjoined Parties;

e) directly or indirectly selling, offering for sale, promoting, distributing, or advertising the Goods using the word "American" in any variation or combination with the word "Blind," either singular or plural, or in any manner that otherwise is likely to cause confusion, mistake, or deception with respect to American Blind's trademarks or service marks;

f) using, linking to or accessing American Blind's web or data servers, accessing, copying or displaying American Blind's images and other proprietary data, and, directly or indirectly, appropriating or permitting its web site users to appropriate American Blind's bandwidth; and

g) engaging in any other act constituting unfair competition or deceptive practices with American Blind or constituting an infringement or dilution of, or that otherwise unfairly competes with, American Blind's rights in and to the American Blind trademarks or service marks.

2) That the Enjoined Parties shall immediately and permanently cease and desist from directly or indirectly selling, offering for sale, promoting, distributing, or advertising the Goods using the word "American" in any variation or combination with the word "Blind," either singular or plural, or in any manner that otherwise is likely to cause confusion, mistake, or deception with or with respect to American Blind's trademarks or service marks, in connection with the Enjoined Parties' website(s), sales, advertising, promotions, or solicitations.

3) That the Enjoined Parties shall immediately and permanently cease and desist from directly or indirectly stating, suggesting or implying, or from acting or failing to act in any manner that suggests or implies, any association, affiliation or relationship with, or sponsorship by, American Blind.

4) That the Enjoined Parties shall immediately and permanently cease using the name "American Blind," or the word "American" in any variation or combination with the word "Blind," either singular or plural, or in any manner that otherwise is likely to cause confusion, mistake, or deception with or with respect to American Blind's trademarks or service marks, when responding by telephone, via Internet or in person to customer inquiries.

5) That the Enjoined Parties shall immediately transfer and assign to American Blind all rights, ownership or other interest to the Domain Name and any other Internet domain name that uses or incorporates the word "American" in any variation or combination with the word "Blind," either singular or plural, or in any manner that otherwise is likely to cause confusion, mistake, or deception with or with respect to American Blind's trademarks or service marks.

6) That Defendant, American Blind & Accessory Company, Inc., is ordered, pursuant to 15 U.S.C. § 1117 and 28 U.S.C. § 1920, to pay all of the costs incurred by Plaintiff in connection with this matter.

7) That Defendant, American Blind & Accessory Company, Inc., is further ordered, pursuant to 28 U.S.C. §§ 1117, to reimburse Plaintiff for all of its reasonable attorneys' fees incurred in connection with this action; Plaintiff shall present this Court with an affidavit setting forth the amount and nature of the fees sought to be reimbursed on or before April 16, 2001, and Defendant, American Blind & Accessory Company, Inc., shall have five days thereafter to show cause why such fees should not be awarded in their entirety.

8) That this Court shall retain jurisdiction over this matter and the parties to the extent necessary to enforce the terms of this Order.

SO ORDERD.

GERALD E. ROSEN

10 MAR 2001

Gerald E. Rosen
United States District Judge

A TRUE COPY
CLERK, U.S. DISTRICT COURT
EASTERN DISTRICT OF MICHIGAN
BY Sara Krause
DEPUTY CLERK

EXHIBIT 24

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION

ECLIPSE AESTHETICS, LLC,	§	
	§	
Plaintiff,	§	
	§	
v.	§	Civil Action No. 3:15-cv-3748-M
	§	
REGENLAB USA, LLC.	§	
	§	
	§	
Defendant.	§	

AGREED ORDER FOR PRELIMINARY INJUNCTION

This Agreed Order for Preliminary Injunction is entered into between the Parties to save said Parties further time and expense based on the fact that the Defendant is not presently running the Google Ad at-issue in Plaintiff's pending Motion for Preliminary Injunction [Docket Entry #3]. Further, this Agreed Order for Preliminary Injunction is entered into without any admission by Defendant of liability in this case or the merits of Plaintiff's request for Preliminary Injunction, and without any prejudice to Defendant's arguments and defenses in this case or any other proceeding between the Parties, all of which are expressly reserved by both Parties. Accordingly, the Parties agree that the Defendant, its employees, written agents and representatives shall be preliminarily enjoined from running the Google Ad set forth in Plaintiff's Motion for Preliminary Injunction, as well as any similar Google Ad that would place any form of the word "Eclipse" (including likely misspellings) in a hyperlink to the www.regenlabusa.com website, pending the outcome of a final decision on the merits of this case. Plaintiff is prohibited from using this Agreed Order for Preliminary Injunction for any purpose, including as evidence in the *Eclipse v. RegenLab et al*. case, DC-14-06990 (Dallas

District Court, TX), except for seeking enforcement of a violation of said Agreed Order by Defendant during the pendency of this case from this Court.

The hearing on Plaintiff's Motion for Preliminary Injunction, currently set for January 14, 2016 at 9:00 AM, is CANCELLED.

SO ORDERED.

Dated January 11, 2016.

AGREED:

s/___*Theodore G. Baroody*______
Vincent J. Allen
Texas Bar No. 24012209
Theodore G. Baroody
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EXHIBIT 25

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF NEW YORK

FRAGRANCENET.COM, INC., Plaintiff, - against - LES PARFUMS, INC., LES PERFUMES, INC., ULTRAFRAGRANCES, INC., ULTRA FRAGRANCES, INC., ULTRAFRAGRANCES.COM, Defendants.	Case No. 09 Civ. 2626 (JFB) (ETB) **PERMANENT INJUNCTION AND JUDGMENT ON CONSENT**

WHEREAS, on June 19, 2009, plaintiff FragranceNet.com, Inc. ("FragranceNet") commenced this action for damages and injunctive relief against defendants Les Parfums, Inc., Les Perfumes, Inc., UltraFragrances, Inc., Ultra Fragrances, Inc., and UltraFragrances.com (collectively, "Les Parfums"), alleging claims of trademark infringement under Section 32 of the Lanham Act, 15 U.S.C. § 1114; passing off, false designation of origin, and false description and representation under Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a); trademark dilution under Section 43(c) of the Lanham Act, 15 U.S.C. § 1125(c); trademark infringement, passing off, and dilution under the statutory and common law of the state of New York, including N.Y. General Business Law § 360-1, the statutory and common law of the state of California, including California Business and Professions Code § 14330, and the statutory and common law of every other state in which Les Parfums does business; violation of Section 133 of the New York General Business Law; unfair competition and unfair and deceptive practices in violation of Section 17200 *et seq.* of the California Business and Professions Code; common law unfair competition and misappropriation; injury to business reputation; and unjust enrichment;

WHEREAS, Les Parfums served its Answer, denying the material allegations of the Complaint;

WHEREAS, FragranceNet is in the business of selling perfumery and related goods via its on-line retail store posted at www.fragrancenet.com, which has become one of the most popular on-line perfume stores in the United States since it began operation in January 1997;

WHEREAS, FragranceNet owns the trademarks FRAGRANCENET, U.S. Registration No. 3,339,343, and FRAGRANCENET.COM, U.S. Registration No. 3,559,768;

WHEREAS, consumers searching for FragranceNet's Web site do so by conducting searches on Internet search engines for the terms "fragrancenet," "fragrancenet.com," or other variations of FragranceNet's trademarks;

WHEREAS, certain Internet search providers offer advertising programs through which an advertiser can purchase "keywords" to ensure that an advertisement for or link to the advertiser's Web site appears when an Internet user enters the keyword(s) into a search on the Internet search provider's site;

WHEREAS, a Web site owner can include a term in the meta tags of its Web site, which are not visible to a user, to increase the likelihood that the Web site will appear when a user searches for that term on an Internet search engine;

WHEREAS, Les Parfums has bid on, purchased, and used keywords, including "fragrancenet," "fragrancenet.com," "fragrance net," "fragrance.net," and other variations of FragranceNet's trademarks, in order to advertise and promote its Web site to Internet users who conduct searches on those terms;

WHEREAS, FragranceNet has alleged that Les Parfums unauthorized use of the FRAGRANCENET and FRAGRANCENET.COM marks and variations of those marks is likely to cause confusion, mistake or deception as to FragranceNet's goods and/or services and as to the endorsement, affiliation, sponsorship, or association of Les Parfum's goods and/or services with FragranceNet's and will dilute the source-identifying quality of FragranceNet's marks constitutes unfair competition, causes injury to Fragrance Net's business reputation, and results in Les Parfums' unjust enrichment; and

WHEREAS, Les Parfums agrees to the entry of a permanent injunction, on the terms set forth herein;

NOW, THEREFORE, upon the foregoing and the annexed consents of the parties:

IT IS HEREBY ORDERED, ADJUDGED and DECREED that:

This Court has jurisdiction over this action and the parties hereto;

1. Les Parfums, its officers, agents, servants, employees and attorneys, and those persons acting in concern with it, shall be and hereby are permanently and perpetually enjoined from:

a. using on or in connection with any goods or services or in the manufacture, importation, sale, offering for sale, distribution, advertising, promotion, labeling or packaging of any good or services, or from using for any commercial purpose whatsoever FRAGRANCENET, FRAGRANCENET.COM, or any confusingly similar term, phrase, or mark, including without limitation "fragrance net" and "fragrance.net";

b. purchasing keywords or the functional equivalent from any Internet search provider for the terms FRAGRANCENET, FRAGRANCENET.COM, or any confusingly similar term, phrase, or mark, including without limitation "fragrance net" and "fragrance.net";

c. using in the meta tags or anywhere on its Web site(s), whether or not visible to the user, the terms FRAGRANCENET, FRAGRANCENET.COM, or any confusingly similar term, phrase, or mark, including without limitation "fragrance net" and "fragrance.net";

d. representing by any means whatsoever, directly or indirectly, that there is any form of association, sponsorship, endorsement, authorization, connection, or affiliation between Les Parfums and FragranceNet or between either party and the goods or services offered by the other party;

e. identifying itself as FRAGRANCENET, FRAGRANCENET.COM, or by any other name incorporating the terms FRAGRANCENET, FRAGRANCENET.COM, or any confusingly similar term, phrase, or mark, including without limitation "fragrance net" and "fragrance.net";

f. committing further acts of infringement, dilution, passing off, unfair competition, deceptive practices, or misappropriation with respect to any product or service of FragranceNet or bearing any of FragranceNet's trademarks or variations thereof.

3. Les Parfums, its officers, agents, servants, employees and attorneys, and those persons acting in concern with it, shall immediately cancel and discontinue all uses of FRAGRANCENET, FRAGRANCENET.COM, or any confusingly similar term, phrase, or mark, including without limitation "fragrance net" and "fragrance.net," including but not limited to uses such as Internet keyword advertising and use in meta tags on its Web site;

4. Les Parfums shall file with the Court and serve upon FragranceNet's counsel within thirty (30) days after entry of this permanent injunction, a sworn written statement as provided in 15 U.S.C. § 1116 setting forth in detail the manner and form in which Les Parfums has complied with the injunction.

5. This Court shall retain jurisdiction over this action and FragranceNet's further rights or remedies in connection with this action and to ensure compliance herewith.

CONSENTED AND AGREED TO:

Dated: March 5, 2010

THE LAW OFFICES OF NOAH SHUBE

By: NS
Noah Shube (NS1300)

434 Broadway, 6th Floor
New York, New York 10013
(212) 274-8638

Attorneys for Defendants

Dated: March 8, 2010

PAUL, HASTINGS, JANOFSKY & WALKER LLP

By: Robert L. Sherman
Robert L. Sherman (RS 5520)

75 East 55th Street
New York, NY 10022
(212) 318-6000

Attorneys for Plaintiff

SO ORDERED:

Dated: New York, New York
March __, 2010

U.S.D.J.

LEGAL_US_E # 86896549.3

EXHIBIT 26

2015 WL 1936502
Only the Westlaw citation is currently available.
United States District Court, E.D. Virginia,
Alexandria Division.

GLOBAL TEL*LINK CORPORATION, Plaintiff,
v.
JAIL CALL SERVICES, LLC, Defendant.

No. 1:14–cv–1557.
|
Signed April 27, 2015.
|
Filed April 28, 2015.

Attorneys and Law Firms

Michael Richard Sklaire, Kevin Bryan Bedell, Greenberg Traurig LLP, McLean, VA, for Plaintiff.

ORDER

T.S. ELLIS, III, District Judge.

***1** On February 26, 2015, plaintiff in this breach of contract and trademark infringement case moved for a default judgment. (Doc. 24). The matter was referred to a magistrate judge for a Report and Recommendation which issued on March 20, 2015. (Doc. 29). No objections to this Report and Recommendation were filed.

Thus, upon consideration of the March 20, 2015 Report and Recommendation of the United States Magistrate Judge designated to conduct a hearing in this matter, without objection, and upon an independent *de novo* review of the record, it is hereby ORDERED that the Court adopts as its own the findings and recommendation of the United States Magistrate Judge as set forth in the March 20,2015 Report and Recommendation.

Accordingly, for good cause,

It is hereby **ORDERED** that judgment is **ENTERED** by default in favor of plaintiff and against defendant in the amount of $176,475.68, consisting of $100,000 in liquidated damages arising from defendant's breach of contract and $76,475.68 in attorney's fees and costs.

It is further **ORDERED** that defendant Jail Call Services, LLC ("JCS") and its officers, agents, servants, employees, and any other persons acting on its behalf are **ENJOINED** from:

(i) using and advertising plaintiff Global Tel*Link ("GTL") Corporation's marks ("GTL Marks") [1] in connection with JCS's products and services through metatags, internet search keywords, false representations and false advertising on its website, in direct communications with customers, and through direct marketing, internet marketing, automated attendants, email, and phone calls; and

(ii) committing any other acts calculated to cause consumers to believe that JCS's products or services are, or are affiliated or connected with GTL's products or services.

It is further **ORDERED** that JCS and its officers, agents, servants, employees, and any other persons acting on its behalf are **DIRECTED** to take prompt steps to remove all use and advertisement of the GTL Marks in connection with JCS's products and services from its website and the internet, as well as all advertising, promotional, or marketing material including direct communications with customers, direct marketing, internet marketing, metatags, internet search keywords, automated attendants, email, and phone calls, and otherwise to cease infringing upon the GTL Marks.

It is further **ORDERED** that the cash bond posted by plaintiff on November 25, 2014 as surety for the preliminary injunction entered November 24, 2015 be remitted to plaintiff.

The Clerk is **DIRECTED** to enter judgment pursuant to Rule 58, Fed.R.Civ.P. and to place this matter among the ended causes.

The Clerk is further **DIRECTED** to send a certified copy of this Judgment Order to the parties and all counsel of record.

PROPOSED FINDINGS OF FACT AND RECOMMENDATIONS

JOHN F. ANDERSON, United Slates Magistrate Judge.

This matter is before the court on plaintiff's motion for default judgment pursuant to Federal Rule of Civil Procedure 55(b)(2). (Docket no. 24). In this action, plaintiff Global Tel*Link Corporation ("plaintiff" or "GTL") seeks a default judgment against the defendant, Jail Call Services, LLC ("defendant" or "JCS"). Pursuant to 28 U.S.C. § 636(b)(1)(C), the undersigned magistrate judge is filing with the court his proposed findings of fact and recommendations, a copy of which will be provided to all interested parties.

Procedural Background

***2** On November 18, 2014, plaintiff filed a verified complaint against JCS alleging various claims, including breach of contract under Virginia law, trademark infringement under the Lanham Act, 15 U.S.C. §§ 1051 *et seq.,* and common law trademark infringement. (Docket no. 1). Thereafter, plaintiff filed an "Emergency *Ex Parte* Motion" requesting that this court issue: (i) a temporary restraining order and order to show cause for preliminary injunction against JCS; (ii) an order restricting transfer of JCS's assets and records; and (iii) an order expediting discovery to allow GTL to inspect and copy JCS's books and records relating to the alleged infringing activity. (Docket no. 2). Notice was provided by sending a copy of the complaint, motion, memorandum in support, and notice of hearing to JCS's registered agent on November 18, 2014 by overnight mail. (Docket no. 9 at 1). Plaintiff also sent copies of these pleadings as e-mail attachments to the address provided on JCS's website. (*Id.* at 1–2).

On November 21, 2014, the court granted plaintiff's *ex parte* motion and scheduled a preliminary injunction hearing for December 4, 2014 at 1:00 p.m. (*Id.* at 4–5). The temporary restraining order issued by the court was to remain in effect for ten days, subject to being renewed for an additional ten days upon a showing of good cause. [1] *See* Fed.R.Civ.P. 65(b). As required by Federal Rule of Civil Procedure 65(a)(1), plaintiff provided JCS with notice of the temporary restraining order and preliminary injunction hearing by serving a copy of the Order on JCS's registered agent. (Docket no. 16). Plaintiff also served JCS's registered agent with a summons and copy of the complaint on November 26, 2014. (Docket no. 15).

On December 4, 2014, counsel for the plaintiff appeared for a hearing on plaintiff's motion for a preliminary injunction pursuant to Federal Rule of Civil Procedure 65. (Docket no. 18). Based on the evidence presented, the court found that GTL made a persuasive showing of ongoing trademark infringement and granted plaintiff's motion for the entry of a preliminary injunction. (Docket no. 19 at 2, 4). The Order issued by the court also required GTL to post a corporate surety bond in the amount of $5,000 as security for the preliminary injunction. (*Id.* at 5).

Pursuant to Federal Rule of Civil Procedure 12(a), JCS was required to file a responsive pleading on or before December 17, 2014, twenty-one days from the date of service. No responsive pleading has been filed by JCS. On January 9, 2015, plaintiff filed a request for entry of default along with an affidavit in support (Docket no. 21) and the Clerk of Court entered a default against JCS in accordance with Rule 55(a) of the Federal Rules of Civil Procedure on January 14, 2015 (Docket no. 22). On February 26, 2015, plaintiff filed a motion for default judgment (Docket no. 24), a memorandum in support (Docket no. 25), and noticed the motion for a hearing on March 13, 2015 (Docket no. 26). Plaintiff also attached several exhibits to the memorandum in support, including: a transcript of proceedings before the Honorable T.S. Ellis, III on December 4, 2014; a declaration in support of plaintiff's request for attorneys' fees and costs; and copies of attorney invoices issued to GTL prior to and during the pendency of this litigation. (Docket no. 25, Exs. 1–8). On March 12, 2015, plaintiff filed a supplement to the motion for default judgment describing the attorney's fees incurred since January 31, 2015. (Docket no. 27).

***3** Plaintiff served JCS's registered agent with copies of the motion for default judgment, memorandum in support, and notice of hearing by first class mail on February 26, 2015. (Docket nos. 24–26). Plaintiff also sent copies of these pleading to JCS's last known address at: 3523 McKinney Ave., Suite 750, Dallas, TX 75204. (*Id.*). The supplement to the motion for default judgment was served on the defendant in a similar manner on March 12, 2015. (Docket no. 27). On March 13, 2015, counsel for the plaintiff appeared before the undersigned and no one appeared on behalf of the defendant.

Factual Background

The following facts are established by the verified complaint (Docket no. 1) ("Compl.") and the memorandum in support of plaintiff's motion for default judgment (Docket no. 25). GTL is a corporation organized under the laws of Delaware and headquartered in Mobile, Alabama. (Compl.¶ 5). GTL provides telecommunications services to correctional facilities in the United States and maintains a management office in Reston, Virginia. (Compl.¶¶ 5–6). JCS is a limited liability company organized under the laws of Texas, described by plaintiff as a "direct competitor of GTL" that provides telecommunications services to correctional facilities throughout the United States, including in the Commonwealth of Virginia. (Compl.¶¶ 7–8).

Plaintiff is the owner of numerous trademarks registered with the U.S. Patent and Trademark Office. (Compl.¶ 43, Ex. I). The trademarks at issue in this litigation concern a portion of those trademarks, collectively referred to by the plaintiff as the "GTL Marks." Plaintiff commenced its exclusive use of the marks "GLOBAL TEL*LINK" and "GTL" as early as 1989 and began using the mark "OFFENDERCONNECT" through its wholly owned subsidiary DSI–ITI, LLC as early as July 8, 2009. (Compl.¶ 9). Plaintiff uses the GTL Marks in connection with providing telecommunications services to correctional facilities, along with a website that allows customers to manage account information related to these services. (*Id.*). Through plaintiff's continuous use and promotion of the GTL Marks, they have become distinctive and well-known in the correctional facility industry. (Compl.¶¶ 10–11). Plaintiff's investment in these marks have also caused consumers to associate "GLOBAL TEL*LINK," "GTL," and "OFFENDERCONNECT" with the superior quality of services offered by GTL. (Compl.¶ 11).

Defendant began infringing on GTL's trademarks as early as 2012. (Compl.¶ 43). The purpose of JCS's infringement is to mislead and cause confusion amongst potential customers, which "has harmed, and is harming, GTL by leaving consumers who had inferior experiences with Jail Call Services, but believed they were dealing with GTL, unwilling to use GTL's services." (Docket no. 25 at 3). In terms of direct infringement, references to the GTL Marks appear on the JCS website, such as: "Save 80% on Global Tel Link/gtl.net Inmate Calls." (Compl.¶ 24). JCS also utilizes more indirect methods, such as incorporating the GTL Marks into "metatags" on the JCS website, which is a form of internal coding that causes search engines to redirect potential GTL customers to the JCS website. (Compl.¶ 25). The unauthorized use of the GTL Marks in this manner improperly diverts business away from GTL and towards JCS. (Compl.¶ 30).

***4** On August 14, 2012, counsel for GTL sent a request to "cease and desist" by electronic mail to the address listed on the JCS website. (Compl., Ex. F). After receiving no response, another request was sent by certified mail to JCS's registered agent at: 10900 South Stonelake Blvd., Suite A–320, Austin, TX 78759. (*Id.*). On January 17, 2013, plaintiff filed a lawsuit in the United States District Court for the Eastern District of Virginia, alleging federal trademark infringement and several violations under the Lanham Act (false advertising, false designation of origin and unfair competition). *Global Tel*Link Corporation v. Jail Call Services, LLC,* No. 1:13cv0075 (E.D.Va. Jan. 17, 2013), ECF No. 1. The parties agreed to dismiss the case on June 14, 2013, following the execution of a settlement agreement. (Compl., Ex. G).

On November 18, 2014, plaintiff raised these allegations for a second time after discovering that "JCS, in blatant disregard of its obligations under the Settlement Agreement and GTL's valuable rights in the GTL Marks, is once again engaging in the very conduct which it agreed to cease." (Compl.¶ 1). In the motion for default judgment, plaintiff seeks: (i) $100,000 in liquidated damages for breach of the settlement agreement; (ii) $71,407.10 in attorney's fees and costs; (iii) statutory damages for defendant's trademark violations, trebled in view of the willful and deliberate nature of JCS's unlawful conduct; (iv) conversion of the preliminary injunction previously entered by this court into a permanent injunction; and (v) a refund of the bond posted by GTL as security for the preliminary injunction. (Docket no. 24 at 1–2). Plaintiff alleges that "[u]nless and until JCS is enjoined from any further unauthorized exploitation of the GTL Marks and breach of the Settlement Agreement, JCS will continue to use the GTL Marks in violation of GTL's rights." (Compl.¶ 43).

Proposed Findings and Recommendations

Rule 55 of the Federal Rules of Civil Procedure provides for the entry of a default judgment when "a party against whom a judgment for affirmative relief is sought has failed to plead or otherwise defend." Fed.R.Civ.P. 55(a). Based on the defendant's failure to file a responsive pleading in a timely manner, the Clerk of Court has entered a default as to JCS. (Docket no. 22). A defendant in default admits the factual allegations in the complaint. *See* Fed.R.Civ.P. 8(b)(6) ("An allegation—other than one relating to the amount of damages—is admitted if a responsive pleading is required and the allegation is not denied."); *see also* *GlobalSantaFe Corp. v. Globalsantafe.com,* 250 F.Supp.2d 610, 612 n. 3 (E.D.Va.2003) ("Upon default, facts alleged in the complaint are deemed admitted and the appropriate inquiry is whether the facts as alleged state a claim."). Rule 55(b)(2) of the Federal Rules of Civil Procedure provides that a court may conduct a hearing to determine the amount of damages, establish the truth of any allegation by evidence, or investigate any other matter when necessary to enter or effectuate judgment.

Jurisdiction and Venue

***5** A court must have both subject matter and personal jurisdiction over a defaulting party before it can render a default judgment. Plaintiff asserts various claims under the Lanham Act, 15 U.S.C. §§ 1051 *et seq.* and claims under Virginia law. This court has subject matter jurisdiction over the Lanham Act claims under 15 U.S.C. § 1121 and 28 U.S.C. §§ 1331, 1338, and supplemental jurisdiction over the related Virginia law claims pursuant to 28 U.S .C. § 1367(a). This court also has personal jurisdiction over the defendant because Virginia's long-arm statute authorizes the exercise of jurisdiction and JCS satisfies the "minimum contacts" test under the Due Process Clause of the Fourteenth Amendment. *See CFA Inst. v. Inst. of Chartered Fin. Analysts of India,* 551 F.3d 285, 292 (4th Cir.2009). Specifically, JCS engages in marketing and sales within the Commonwealth of Virginia and has engaged in conduct that was intended to, and resulted in, harm to plaintiff's business in Virginia. (Compl.¶ 3). The settlement agreement entered into by the parties was also the result of prior litigation before this court, the breach of which now forms part of the basis for this action.

Given that JCS is in default, and therefore admits the factual allegations in the complaint, the undersigned magistrate judge recommends a finding that this court has subject matter jurisdiction over this action, that the court has personal jurisdiction over JCS, and that venue is proper in this court.

Service

Pursuant to Federal Rule of Civil Procedure 4(h), a corporation, partnership, or other unincorporated association may be served in a judicial district of the United States (A) in the manner prescribed in Rule 4(e)(1) for serving an individual or (B) by delivering a copy of the summons and complaint to an officer, managing, or general agent, or any other agent authorized by law to receive service of process. Rule 4(e)(1) provides that an individual may be served in a judicial district of the United States by following state law for serving a summons in an action brought in courts of general jurisdiction in the state where the district court is located. Section 13.1–1018 of the Virginia Code provides, in part: "A domestic or foreign limited liability company's registered agent is the limited liability company's agent for service of process, notice, or demand required or permitted by law to be served on the limited liability company." Va.Code. Ann. § 13.1–1018(A).

On November 18, 2014, a summons was issued as to defendant JCS and returned executed on December 3, 2014. (Docket nos. 5, 15). The proof of service accompanying the executed summons indicates that a private process server delivered the summons to "Daniel McMahon, Authorized Agent"—an individual designated by law to accept service of process on behalf of JCS—on November 26, 2014. (Docket no. 15). Based on the foregoing, the undersigned magistrate judge recommends a finding that service of process has been accomplished in this action.

Grounds for Entry of Default

***6** In accordance with Federal Rule of Civil Procedure 12(a), JCS was required to file a responsive pleading by December 17, 2014; twenty-one days after plaintiff served JCS's authorized agent with the summons and complaint. No responsive pleading has been filed by the defendant and the time for doing so has since expired. On January 7, 2015, approximately three weeks after the response deadline, plaintiff filed a request for entry of default against JCS. (Docket no. 20).[2] Service of plaintiff's request for entry of default was accomplished by sending copies to JCS's last known address at 3523 McKinney Ave., Suite 750, Dallas, TX 75204 and to JCS's registered agent at 10900 South Stonelake Blvd., Suite A–320, Austin, TX 78759. (Docket no. 21). Thereafter, the Clerk of Court entered a default against JCS on January 14, 2015. (Docket no. 22).

For the reasons stated above, the undersigned magistrate judge recommends a finding that JCS was properly served, that it failed to file a responsive pleading in a timely manner, and that the Clerk of Court properly entered a default as to the defendant JCS.

Liability and Relief Sought

According to Federal Rule of Civil Procedure 54(c), a default judgment "must not differ in kind from, or exceed in amount, what is demanded in the pleadings." Plaintiff's motion for default judgment seeks: (i) $100,000 in liquidated damages; (ii) $71,407.10 in attorney's fees and costs; (iii) statutory damages for defendant's trademark violations, trebled in view of the willful and deliberate nature of JCS's unlawful conduct; (iv) conversion of the preliminary injunction previously entered by this court into a permanent injunction; and (v) a refund of the bond posted by GTL as security for the preliminary injunction. (Docket no. 24).

A. Breach of Contract (Count I)

On June 14, 2013, the parties executed a settlement agreement that resolved a similar trademark infringement action brought by GTL in 2013. This agreement set forth certain conditions and imposed obligations on JCS, including:

> 1. JCS will eliminate the use of the GTL Marks, from its sponsored advertisements and subdomains located within JCS's website ... and from any other print, video, audio or electronic media.
>
> 2. JCS will remove metatags that refer, use, pertain or concern the GTL Marks from its source code.

(Compl.Ex. G). Paragraph 18 of the settlement agreement also provides "This Agreement shall be governed by and intercepted in accordance with federal laws of the Commonwealth of Virginia, as applicable without regard to conflicts of law." (*Id.*)

In order to state a claim for breach of contract under Virgina law, the plaintiff must prove: "(1) a legal obligation of a defendant to the plaintiff; (2) a violation of breach of that right or duty; and (3) a consequential injury or damage to the plaintiff." *Westminister Investment Group v. Lamps Unlimited, Inc .,* 237 Va. 543, 379 (1989) (quoting *Caudill v. Wise Rambler, Inc.* 210 Va. 11, 13 (1969)). Despite the obligations set forth in the settlement agreement and accepted by JCS, "[i]n August 2014, GTL discovered that JCS ... was once again [using] the GTL Marks on the JCS website as well as metatags and keywords containing the GTL Marks to divert consumers to the JCS website." (Compl.¶ 41). JCS's breach of this agreement forms the basis of plaintiff's breach of contract claim currently before the court. Given that the factual allegations in the complaint are deemed admitted, the undersigned recommends a finding that plaintiff has established a claim for breach of contract.

***7** Accordingly, plaintiff is entitled to liquidated damages as contemplated in paragraph 10 of the settlement agreement, in which JCS agreed "to pay the sum of Ten Thousand Dollars ($10,000) for every single occurrence of a material breach of this Agreement." (Compl., Ex. G). As set forth in the memorandum in support of plaintiff's motion for default judgment, JCS's use of the GTL Marks on its website, metatags, and purchase of search engine keywords without preapproval amounts to ten (10) individual material breaches of the settlement agreement. Based on the foregoing, the undersigned recommends a finding that GTL is entitled to recover $100,000 in liquidated damages arising from JCS's breach of the settlement agreement.

B. Federal Trademark Infringement (Count II) and False Advertising (Count IV) [3]

Plaintiff seeks injunctive relief under sections 32(1) and 43(a) of the Lanham Act. *See* 15 U.S.C. §§ 1114(1), 1125(a). Under the Lanham Act, civil liability attaches when a party uses a reproduction or colorable imitation of a registered mark "in connection with the sale, offering for sale, distribution, or advertising of any goods or services" such that the use is likely to cause confusion or mistake. 15 U.S.C. § 1114(1)(a). Injunctive relief may be provided to the owner of a famous or distinctive mark where use of the mark by another "is likely to cause dilution by blurring or dilution by tarnishment of the famous mark, regardless of the presence or absence of actual or likely confusion, of competition, or of actual economic injury." 15 U.S.C. § 1125(c)(1).

In order to prevail on its claim for trademark infringement under the Lanham Act, plaintiff must establish that it has a registered mark and that JCS's unauthorized use of the mark in commerce is likely to cause confusion among consumers. *See Rosetta Stone Ltd. v. Google, Inc.,* 676 F.3d 144, 152 (4th Cir.2012); *Louis Vuitton Malletier S.A. v. Haute Diggity Dog, LLC,* 507 F.3d 252, 259 (4th Cir.2007); *Synergistic Int'l, LLC v. Korman,* 470 F.3d 162, 170 (4th Cir.2006); *People for the Ethical Treatment of Animals v. Doughney,* 263 F.3d 359, 364 (4th Cir.2001).

Plaintiff is the registered owner of several trademarks which have been used to identify, advertise, and promote the services offered by GTL. (Compl.¶¶ 13–19). At the hearing on plaintiff's motion for a preliminary injunction, the court considered the testimony of Jon Schiffrin, who registered the GTL Marks with the U.S. Patent and Trademark Office. (Docket no. 25, Ex. 1) ("Tr."). When asked how counsel determined the nature and extent of JCS's infringement, Mr. Schiffrin testified that the search terms "Global Tel*Link," "GTL," and "Offender Connect" returned results for JCS when entered into popular search engines. (Tr. 11:6–12:3). Mr. Schiffrin also testified that the ranking of search results was not a random function of the search engine itself; rather, the purchase and ownership of certain keywords determines the order of available websites. (Tr. 12:4–20). Through JCS's purchase of search terms that directly referenced the GTL Marks, internet users were directed away from services offered by the plaintiff and towards the competing services offered by JCS. Lastly, Mr. Schiffrin explained how "metatags" on the JCS website contained internal coding that referenced and infringed upon the GTL Marks. (Tr. at 20:8–24).

***8** In assessing the likelihood of confusion in a trademark infringement case, the Fourth Circuit has identified nine factors that should be considered: (1) the strength or distinctiveness of plaintiff's mark; (2) the similarity of the parties' marks; (3) the similarity of the goods or services that the marks identify; (4) the similarity of the facilities used by the parties; (5) the similarity of advertising used by the parties; (6) defendant's intent; (7) actual confusion; (8) the quality of defendant's product; and (9) the sophistication of the consuming public. *George & Co. LLC v. Imagination Entm't Ltd.,* 575 F.3d 383, 393 (4th Cir.2009) (citing *Pizzeria Uno Corp. v. Temple,* 747 F.2d 1522, 1527 (4th Cir.1984) (identifying factors one through seven); *Sara Lee Corp. v. Kayser–Roth Corp.,* 81 F.3d 455, 463–64 (4th Cir.1996) (identifying factors eight and nine)). Not all of these factors will be relevant in every trademark dispute and there is no need for each factor to support plaintiff's position on the likelihood of confusion issue; however, evidence of actual confusion is particularly important in analyzing the likelihood of confusion. *See Lone Star Steakhouse & Saloon, Inc. v. Alpha of Va., Inc.,* 43 F.3d 922, 937 (4th Cir.1995); *Anheuser–Busch, Inc. v. L & L Wings, Inc.,* 962 F.2d 316, 320 (4th Cir.1992); *Pizzeria Uno Corp. v. Temple,* 747 F.2d 1522, 1527 (4th Cir.1984).

The GTL Marks are valid federally registered trademarks that are entitled to protection under the Lanham Act. Their registration is also *prima facie* evidence that the GTL Marks are at least descriptive and have acquired distinctiveness. *America Online, Inc. v. AT & T Corp.,* 243 F.3d 812, 816 (4th Cir.2001). Plaintiff alleges that JCS's use of the GTL Marks in keyword advertising and metatags directs consumers away from the services offered by GTL and towards the competing services offered by JCS. As a result, consumers are likely to be confused and deceived as to the source, sponsorship, affiliation or approval of plaintiff's services. Furthermore, because the purchase of certain keywords from internet search engines requires deliberate action, GTL argues that JCS's conduct was intentional and willful.

By using the GTL Marks in this manner, plaintiff also claims that JCS is liable for false advertising under the Lanham Act. In order to establish a claim of false advertising under the Lanham Act, the plaintiff must prove by a preponderance of the evidence that:

> (1) a false statement of fact [was made] by the defendant in a commercial advertisement about its own or another's product; (2) the statement actually deceived or has the tendency to deceive a substantial segment of its audience; (3) the deception is material, in that it is likely to influence the purchasing decision; (4) the defendant caused its false statement to enter interstate commerce; and (5) the plaintiff has been or is likely to be injured as a result of the false statement, either

> by direct diversion of sale from itself to defendant or by a loss of goodwill associated with its product.

***9** *Black & Decker (U.S.) Inc. v. Pro–Tech Power Inc.,* 26 F.Supp.2d 834, 861–62 (E.D.Va.1998) (quoting *United Industries Corp. v. Clorox Co.,* 140 F.3d 1175, 1180 (8th Cir.1998)). As plead in the complaint, defendant's use of the GTL Marks served as a means to direct potential customers away from the services offer by GTL and towards the competing services offered by JCS. While the use of GTL Marks in such a manner suggests that the defendant's purpose was to deceive consumers—intending to do business with GTL—into purchasing the services offered by JCS, the complaint does not contain sufficient averments to support a finding that a *false* statement was made by the defendant. There is no allegation that the only direct statement identified in the complaint being made by JCS "Save 80% on Global Tel Link/gtl.net Inmate Calls" is in fact false. (Compl.¶ 24).

Based on the foregoing, the undersigned recommends a finding that JCS's conduct is. at least, in violation of section 32(1) of the Lanham Act. *See* 15 U.S.C. § 1114(1).[4]

C. Permanent Injunction

The Lanham Act provides the court the power to grant injunctions, "according to the principles of equity and upon such terms as the court may deem reasonable, to prevent the violation of any right of the registrant of a mark registered in the Patent and Trademark Office." 15 U.S.C. § 1116(a). In order for the court to provide injunctive relief, "[p]laintiff must demonstrate irreparable harm, the inadequacy of a legal remedy (monetary damages), a weight in its favor when balancing hardships, and that the public would not be disserved by making the injunction permanent." *Toolchex, Inc. v. Trainor,* 3:08cv0236, 2009 WL 2244486, at *2 (E.D.Va. July 24, 2009) (citing *eBay Inc. v. MercExchange, L.L.C.,* 547 U.S. 388, 391 (2006)).

"[I]rreparable injury regularly follows from trademark infringement." *Lone Star Steakhouse & Saloon, Inc. v. Alpha of Virginia, Inc.,* 43 F.3d 922, 939 (4th Cir.1995). As alleged in the complaint and established through testimony provided at the hearing on plaintiff's motion for a preliminary injunction, "JCS's conduct, if it continues, will result in irreparable harm to GTL and, specifically, to the goodwill associated with the GTL Marks, unless such conduct is enjoined." (Compl.¶ 65). The fact that JCS has continued to infringe on the GTL Marks, despite an agreement signed by the parties before this court, outweighs the hardship of a permanent injunction. Furthermore, the undersigned finds that the public would be served by prohibiting JCS from engaging in conduct that is likely to cause confusion or mistake as to the source, sponsorship, affiliation, or approval of GTL's services. For these reasons, the undersigned recommends that the provisions of the preliminary injunction entered on December 4, 2014 (Docket no. 19) be converted to a permanent injunction and that JCS be permanently enjoined from infringing upon the GTL Marks.

D. Statutory Damages

***10** Plaintiff also seeks an award of statutory damages pursuant to 15 U.S.C. § 1117(c). In a case involving the use of a counterfeit mark or designation, section 1117(c) provides that the plaintiff may elect to recover, instead of actual damages and profits, an award of statutory damages in the amount of:

> (1) not less than $1,000 or more than $200,000 per counterfeit mark per type of goods or services sold, offered for sale, or distributed, as the court considers just; or
>
> (2) if the court finds that the use of the counterfeit mark was willful, not more than $2,000,000 per counterfeit mark per type of goods or services sold, offered for sale, or distributed, as the court considers just.

15 U.S.C. § 1117(c). A "counterfeit mark" is defined as "a mark that is registered on the principal register ... and that is in use." 15 U.S.C. § 1116(d)(1)(B)(i). As set forth in the complaint and accompanying exhibits, the GTL Marks are registered on the principal register and are in use. (Compl.¶¶ 13–19, Exs.A–E). Section 1117(b) also allows the court to award treble damages together with reasonable attorney's fees if the violation consists of "intentionally using a mark or designation, knowing such mark or designation is a counterfeit mark (as defined in section 1116(d) of this title), in connection with the sale, offering for sale, or distribution of goods or services." 15 U.S.C. § 1117(b)(1). The court may also award prejudgment interest on the amount, calculated at an annual interest rate under 26 U.S.C. § 6621(a)(2) "beginning on the date of the service of the claimant's

pleadings setting forth the claim for such entry of judgment and ending on the date such entry is made, or for such shorter time as the court considers appropriate." 15 U.S.C. § 1117(b).

Although otherwise an appropriate request given the nature and circumstances of this case, the undersigned recommends that plaintiff not be awarded statutory damages in addition to the substantial liquidated damages that are being recommended based on the breach of the settlement agreement in Count 1. Given the breach of contract claim is based on JCS's continued use of the GTL Marks, the undersigned finds that an award of statutory damages pursuant to 15 U.S.C. § 1117(c) would be duplicative. The evidence before the court concerning JCS's use of the GTL Marks in metatags and in keyword advertising would, at best, support an award at the low end of the statutory range. Given that plaintiff would not be entitled to recover twice for its damages, plaintiff's request for statutory damages as well as the enhancement of those damages pursuant to 15 U .S.C. § 1117(b) should be denied. [5]

E. Attorney's Fees and Costs

In addition to damages, plaintiff seeks an award of attorney's fees as provided for in the settlement agreement. Specifically, paragraph 19 provides: "In any action to enforce this Agreement, the prevailing party shall have the right to obtain attorney's fees and costs associated with the enforcement action from the non-prevailing party." (Docket no. 1, Ex. G). 15 U.S.C. § 1117(a) also provides for the award of full costs and reasonable attorneys' fees in "exceptional cases," which courts have found when the plaintiff demonstrates that "defendant's conduct was malicious, fraudulent, willful or deliberate in nature." *Retail Servs., Inc. v. Freebies Publ'g,* 364 F.3d 535, 550 (4th Cir.2004).

***11** Based on the foregoing, the undersigned recommends a finding that plaintiff is entitled to an award of the full costs and attorney's fees incurred by counsel in enforcing GTL's rights under the settlement agreement. The undersigned also finds that although the recently filed supplemental declaration correctly amends counsel's prior calculation of attorney's fees, the amount set forth in the Supplement to Motion for Default Judgment (Docket no. 27) incorrectly calculates the total amount due by $20.00. After reviewing the applicable invoices and submissions by counsel, the undersigned recommends a finding that GTL is the prevailing party, that the fees and costs incurred by GTL were associated with the enforcement action, and that GTL be awarded $76,475.68 in attorney's fees and costs, consisting of $69,942.38 in fees and $6,533.30 in costs.

Conclusion

For the reasons stated above, the undersigned magistrate judge recommends that a default judgment be entered in favor of Global Tel*Link Corporation and that an Order be entered consistent with the provisions in the preliminary injunction that Jail Call Services, LLC and its officers, agents, servants, employees, and any other persons acting on its behalf be enjoined from:

> (i) using and advertising the GTL Marks [6] in connection with JCS's products and services through metatags, Internet search keywords, false representations and false advertising on its Website, in direct communications with customers, and through direct marketing, internet marketing, automated attendants, email, and phone calls; and
>
> (ii) committing any other acts calculated to cause consumers to believe that JCS's products or services are, or are affiliated or connected with, GTL's products or services.

It is further recommended that JCS and its officers, agents, servants, employees, and any other persons acting on its behalf shall take prompt steps to remove all use and advertisement of the GTL Marks in connection with JCS's products and services from its Website and the Internet, as well as all advertising, promotional, or marketing material including direct communications with customers, direct marketing, internet marketing, metatags, Internet search keywords, automated attendants, email, and phone calls, and otherwise cease infringing upon the GTL Marks, The undersigned further recommends that judgment be entered against Jail Call Services, LLC in the amount of $176,475.68 (consisting of $100,000 in liquidated damages arising from the breach of contract claim and $76,475.68 in attorney's fees and costs). Lastly, the cash bond posted by Global Tel*Link Corporation should be remitted following the entry of a final judgment. (Docket no. 11).

Notice

By means of the court's electronic filing system and by mailing a copy of this proposed findings of fact and recommendations to Jail Call Services, LLC at their last known address: 3523 McKinney Ave., Suite 750, Dallas, TX 75204 and to their Registered Agent: c/o United States Corporation Agents, Inc., Registered Agent, 10900 South Stonelake Blvd., Suite A–320. Austin, TX 78759, the parties are notified that objections to this proposed findings of fact and recommendations must be filed within fourteen (14) days of service of this proposed findings of fact and recommendations and a failure to file timely objections waives appellate review of the substance of the proposed findings of fact and recommendations and waives appellate review of any judgment or decision based on this proposed findings of fact and recommendations.

All Citations

Not Reported in F.Supp.3d, 2015 WL 1936502

Footnotes

1 The "GTL Marks" refer to federally registered trademarks for GLOBAL TEL*LINK, U.S. Registration Numbers 3,315,464, 3,315,465, and 3,315,466; OFFENDERCONNECT, U.S. Registration Number 3,770,529; and GTL, U.S. Registration Numbers, 4,611,419, 4,590,401, and 3,154,837.

1 Plaintiff filed a Motion to Extend Temporary Restraining Order (Docket no. 12), which the court denied as moot following the entry of a preliminary injunction on December 4, 2014 (Docket no. 19).

2 Counsel revised this filing on January 9, 2015 and properly attached an affidavit in support. (Docket no. 21).

3 The complaint contains three additional counts that are omitted from reference in plaintiff's motion for default judgment and accompanying memorandum in support: Common Law Trademark Infringement (Count III), Tortious Interference with a Business Expectancy (Count V), and False Designation of Origin and Unfair Competition Under Section 43(a) of the Lanham Act (Count VI). Accordingly, the undersigned does not address these counts or the requested relief.

4 The relief being recommended is not adversely impacted by the lack of a finding of false advertising under 15 U.S.C. § 1125(a) given the finding of infringement under 15 U.S.C. § 1114(1).

5 Recognizing that JCS has failed to file a responsive pleading and is now in default, an award of damages under subsection (a) would require speculation as to any profits that resulted from defendant's use of the GTL Marks. *See* 15 U.S.C. § 1117(a). Accordingly, plaintiff's request for statutory damages for the trademark violations is proper.

6 The "GTL Marks" refer to federally registered trademarks for GLOBAL TEL*LINK, U.S. Registration Numbers 3,315,464, and 3,315,465, and 3,315,466, OFFENDERCONNECT, U.S. Registration Number 3,770,529, and GTL, U.S. Registration Numbers 4,611,419, 4,590,401, and 3,154,837.

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EXHIBIT 27

JS-6

UNITED STATES DISTRICT COURT

CENTRAL DISTRICT OF CALIFORNIA

GONZALES & GONZALES BONDS AND INSURANCE AGENCY, INC. dba GANDGBONDS, a California Corporation,

Plaintiffs,

vs.

ACTION IMMIGRATION BONDS AND INSURANCE SERVICES, INC.. d/b/a/ ACTION IMMIGRATION BONDING, a Florida corporation, ROBERT PRAGER, an individual, JUDY PRAGER, an individual, and JEREMY WOLF, an individual, inclusive,

Defendants.

CASE NO: CV 10-01162-PA (JEMx)

STIPULATED PERMANENT INJUNCTION AND JUDGMENT

Hon. Judge Percy Anderson

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Plaintiff Gonzales & Gonzales Bonds and Insurance Agency, Inc. dba gandgbonds, ("G&G") having commenced this action for an injunction, damages, and other relief against Defendant Action Immigration Bonds and Insurance Services, Inc. dba Action Immigration Bonding, a Florida Corporation, Robert Prager, Judy Prager, and Jeremy Wolf ("Defendants") for Infringement of an Unregistered Trademark, False Advertising under the Lanham Act, 15 U.S.C. § 1051, et seq., Unfair Competition under the laws of the State of California, Unfair Business Practices in violation of the California Business and Professions Code, Section 17200, and Unauthorized Commercial Use of Name in violation of California Civil Code, Section 3344;

Defendants having been validly served with the summons and complaint in the above referenced matter, and having made a general appearance and consented to the Court's jurisdiction over the Defendants;

Defendants having stopped the conduct as alleged in the complaint immediately upon being served with the summons and complaint in this matter;

Defendants having entered into a Settlement Agreement with G&G and having stipulated to entry of this Permanent Injunction and Judgment;

Defendants having admitted that it engaged in the conduct as alleged in the Complaint, and that such conduct by the Defendants constitutes conduct in violation of all of the California and Federal statutes and common law claims as alleged in the complaint:

IT IS HEREBY ORDERED that Defendants, their agents, employees and representatives, and all persons acting in concert or in privity with any of them, are permanently enjoined from using the trademarks and tradenames of Gonzales & Gonzales Immigration Bonds, gandgbonds, gandgbonds.com, and g&g, alone or in combination with other words, symbols, or designs, in connection with marketing or advertisement for immigration bonds, as well as products and services which are complementary thereto, including but not limited to, use of said trademark as an Internet keyword or metatag, or in connection with any internet sponsored advertisements. Provided, however, that nothing contained herein shall preclude the Action Defendants from using the tradename of G&G in any comparative advertising (i.e., Action would be permitted to use the name of G&G in any advertisement comparing its immigration program to that of G&G's), as long as such comparative advertising is truthful, and neither confusing or misleading.

IT IS FURTHER ORDERED that this Court has jurisdiction over the parties and the subject matter of this action. This Court shall retain jurisdiction to the extent necessary to enforce this Injunction.

SO ORDERED.

DATED: April 7, 2010

Hon. Judge Percy Anderson
United States District Court Judge

EXHIBIT 28

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF TEXAS
TYLER DIVISION

GREENBERG SMOKED TURKEYS, INC. Plaintiff, v. TSAVO MEDIA, INC., Defendant.	Civil Action No. 6:11-cv-00037

<u>CONSENT DECREE AND FINAL JUDGMENT</u>

On this day the parties, appearing through their respective counsel, announced to the Court that the matters in controversy between them have been settled and jointly seek the entry of this Consent Decree and Final Judgment in accordance with the settlement agreement. The Court, with the parties consent, finds that judgment should be entered as follows:

WHEREAS, GREENBERG SMOKED TURKEYS, INC. ("Greenberg") has brought a civil lawsuit against TSAVO MEDIA, INC. ("Tsavo") seeking a permanent injunction, damages and other relief alleging trademark infringement and unfair competition under federal statutory and state common law, and trademark dilution under federal and state statutory law, which currently is pending in the United State District Court, Eastern District of Texas, Tyler Division, Case No. 6:11-cv-00038 (the "Action");

WHEREAS, Greenberg has consistently and continuously used the marks "GREENBERG" and "GREENBERG SMOKED TURKEY" with design since the late 1930's in the marketplace in conjunction with its turkey products to identify those products and to distinguish them from those offered by others;

WHEREAS, Greenberg obtained a trademark registration for the mark "GREENBERG" on June 23, 1987 (U.S. Registration No. 1,444,298) and that registration is incontestable under 15 U.S.C. §1065;

WHEREAS, Greenberg obtained a trademark registration for the mark "GREENBERG SMOKED TURKEY" and design on September 3, 2002 (U.S. Registration No. 2,614,281) and that registration is incontestable under 15 U.S.C. §1065;

AND, WHEREAS, Greenberg has alleged that Tsavo has without authorization used the marks "GREENBERG" and "GREENBERG SMOKED TURKEYS" in conjunction with the advertising and marketing of various products including a) the purchase of such trademarks from Internet search engines as keywords, so that Tsavo's advertisements will be seen by Internet users who enter such trademarks as search terms into those search engines, and b) the placement of such trademarks in the Tsavo advertisements that appear when Internet users enter such trademarks as search terms into those search engines.

Accordingly, it is hereby ORDERED, ADJUDGED and DECREED with the parties' consent that:

1. This Court has jurisdiction of the subject matter of this action and of the parties.

2. Tsavo shall, with all applicable search engines implement a "negative match" for the following terms:

greenberg
greenberg turkey
greenbergturkey
greenberg turkeys
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greenberg smoke turkey
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3. In addition, Tsavo, its agents, servants, employees, representatives, successors and assigns, and all other persons, firms, or corporations acting on behalf of Tsavo, as well as those who, provided they are served with or are given actual notice of this Consent Decree acting in concert, privity, or participation with Tsavo, are immediately and permanently enjoined from:

   (a) Using in commerce the terms "GREENBERG" and "GREENBERG SMOKED TURKEYS" or any of those full terms in the list set forth in paragraph 2 above (and "use in commerce" shall include without limitation the use of such terms in keyword advertising, metatags, or invisible text on Tsavo's websites);

   (b) Using in any manner or in connection with any of Tsavo Brand Inc.'s advertising or promotion the terms "GREENBERG" and "GREENBERG SMOKED TURKEYS" or any of those full terms in the list set forth in paragraph 2 above;

   (c) Doing, authorizing or permitting others to do any act calculated or likely to cause confusion or mistake in the mind of the public or to lead consumers into the belief that services or products offered, sold, distributed, advertised or transmitted by Tsavo are authorized, sponsored, licensed, endorsed, promoted or condoned by plaintiff or otherwise affiliated with or connected to Greenberg.

4. Other than as set forth in the Settlement Agreement, each party shall bear its own costs.

5. This Court shall retain jurisdiction of this matter as to enforcement of the Consent Decree and for punishment of any violation thereof. If Tsavo is found to be in violation of this Consent Decree, in addition to any damages or other relief or penalty that maybe imposed by the Court, Tsavo shall pay all of Greenberg's reasonable attorneys' fees and reasonable costs incurred in connection with enforcing the Consent Decree.

So ORDERED and SIGNED this 23rd day of January, 2012.

LEONARD DAVIS
UNITED STATES DISTRICT JUDGE

EXHIBIT 29

FILED

UNITED STATES DISTRICT COURT
MIDDLE DISTRICT OF FLORIDA
ORLANDO DIVISION

16 PM 2:53

HAPPY FEET USA, INC., a Florida corporation,

Plaintiff,

v. Case No. 6:09-cv-1832-Orl-31DAB

SERENITY "2000" CORP., an Illinois corporation,

Defendant.

/

CONSENT FINAL JUDGMENT

This matter comes before the Court pursuant to the parties' Joint Motion for Entry of Consent Final Judgment, and the Court after reviewing the file, the Joint Motion, and being otherwise fully advised in the premises, enters this Final Judgment by consent.

The parties STIPULATE:

1. Plaintiff Happy Feet USA, Inc. has filed suit in this Court against Defendant Serenity "2000" Corporation alleging infringement of Plaintiff's HAPPY FEET trademark.

2. Jurisdiction and venue are proper in this Court.

3. Happy Feet owns all right, title and interest in the mark HAPPY FEET as used for get insoles and related products.

4. The parties have settled their dispute and agree that this Court should enter judgment.

NOW THEREFORE, based upon the foregoing stipulations by consent, this Court

ORDERS and ADJUDGES:

1. Defendant, and its successors, assigns, agents, employees, attorneys, and licensees, shall permanently refrain from:

(a) registering or using as a trade name, trademark, service mark, Internet domain name, or portion thereof, any name or term that incorporates, imitates, or is confusingly similar to the HAPPY FEET mark;

(b) infringing the names and trademarks of Happy Feet, including all written and spoken terms equivalent or confusingly similar thereto;

(c) using the names or trademarks of Happy Feet, or any name or mark that incorporates, imitates, or is reminiscent of or confusingly similar thereto, for any product or service, or in any letterhead, sign, advertising or promotion, e-mail or other sales solicitation or business listing, either in print, broadcast, electronic or other form, either separately or compositely with other words;

(d) using the name or trademarks of Happy Feet, or any name or mark confusingly similar thereto, as a corporate or trade name or portion thereof;

(e) purchasing search engine keyword advertising, such as but not limited to Google AdWords advertisements, based on keywords incorporating or comprising any names or trademarks of Happy Feet, and agree to maintain the following negative keywords on all search engine-advertising accounts in their custody or control:

happy
happy feet
happy feet insoles
happy feet orthotics

happy feet shoe insert
happy feet foot insert
happy feet massaging insoles

(f) making representations, directly or indirectly, to anyone, anywhere, by any means, that they are related, associated or affiliated in any way with Happy Feet;

(g) in any manner imitating the name and trademarks of Happy Feet, or any name or mark that imitates or incorporates, or is reminiscent or confusingly similar thereto, for the purpose of acquiring the trade and goodwill of Happy Feet by association, imitation, fraud, mistake or deception; and

(h) unfairly competing with Happy Feet in any manner using any of its trademarks.

2. The Court shall retain jurisdiction to enforce the terms of this Consent Judgment.

DONE AND ORDERED in Chambers in Orlando, Florida, this 16th day of March, 2010.

United States Magistrate Judge, by order of reference in accordance with 28 U.S.C. Section 636 (c) and Rule 73, Fed. R. Civ. P.

Copies to:
All parties of record

EXHIBIT 30

4

UNITED STATES DISTRICT COURT
IN THE EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION

J-RICH CLINIC, INC, a Michigan corporation, d/b/a REAL PURITY,

Plaintiff,

vs.

COSMEDIC CONCEPTS, INC., an Arizona corporation d/b/a PHILOSOPHY, BIOTECH, Inc., an Arizona corporation and PHILOSOPHY, INC, an Arizona corporation,

Defendants

Case No. 02-CV-74324-PJK

Magistrate Judge Paul Komives

STIPULATION TO ENTRY OF ORDER FOR PRELIMINARY INJUNCTIVE RELIEF

and

J-RICH CLINIC, INC., d/b/a REAL PURITY

Plaintiff,

vs.

QVC, INC. a Delaware corporation headquartered in West Chester, Pennsylvania, MOET HENNESSY LOUIS VUITTON, a French corporation, individually and d/b/a in the United States and abroad, as SEPHORA and SEPHORA.COM, DRUGSTORE.COM, INC., a Delaware corporation headquartered in Bellevue, Washington, NORDSTROM, INC., a Washington corporation headquartered in Seattle, Washington and TARGET CORPORATION, a Minnesota corporation headquartered in Minneapolis, Minnesota, individually and d/b/a MARSHALL-FIELD'S,

Defendants.

Case No. 03-CV-71750-PJK

Magistrate Judge Paul Komives

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STIPULATION TO ENTRY OF ORDER FOR
PRELIMINARY INJUNCTIVE RELIEF

WHEREAS J-Rich Clinic, Inc., the Plaintiff, brought suit against LVMH Moet Hennessey Louis Vuitton, d/b/a Sephora (the correct legal name for the Sephora entity named in this suit is Sephora USA, Inc., a wholly-owned subsidiary and formally Sephora USA, LLC) ("Sephora") alleging infringement of the trademark REAL PURITY by Sephora; and

WHEREAS J-Rich Clinic, Inc., in March, 2006, learned of and objected to certain specified uses of the Google AdWords service by Sephora, and filed a motion with the Court seeking injunctive relief against Sephora; and

WHEREAS Defendant Sephora has voluntarily instituted measures that are hoped by Sephora and by the Plaintiff to address Plaintiff's concerns on a going-forward basis; and

WHEREAS Plaintiff, J-Rich Clinic, Inc., and Defendant Sephora both desire to reach an agreed-upon accommodation, to remain in effect for the duration of this lawsuit, but both of them also desire for this interim resolution ultimately to be subordinate to (and not to dictate the terms of) the Court's final adjudication of the merits; and

WHEREAS neither the Plaintiff nor Sephora wishes for the Court to consider the submission of this Stipulated Order, by either of them, to constitute a substantive admission or concession by either of them, for purposes of the final adjudication of the merits of this dispute;

NOW, THEREFORE, Plaintiff, J-Rich Clinic, Inc., and Defendant Sephora, hereby stipulate to the entry of a preliminary injunction that provides as follows:

1. It is hereby ORDERED that this injunction against Defendant Sephora shall be preliminary only, and shall not control, dictate, or define the terms of any final or permanent injunction to be entered by the Court, following final adjudication of the merits. This STIPULATED ORDER shall not be deemed or construed to constitute a binding admission or concession by the Plaintiff or by Sephora, of any fact at issue, or of the adequacy or necessity of any particular final remedy.

2. It is hereby ORDERED that Defendant Sephora, for the duration of this lawsuit and pending final adjudication of the merits, shall discontinue and shall not commence or resume any and all keyword-linked Internet advertising (on the Google search engine, any other search engine – e.g., and without limitation, MSN, Yahoo!, etc., or any other Internet advertising mechanism employed now or in the future by Sephora), using REAL PURITY as a keyword or trigger for such advertising.

3. It is hereby ORDERED, that Defendant Sephora, for the duration of this lawsuit and pending final adjudication of the merits, shall discontinue and shall not commence or resume any and all keyword-linked Internet advertising (on the Google search engine, any other search engine – e.g., and without limitation, MSN, Yahoo!, etc., or any other Internet advertising mechanism employed now or in the future by Sephora), using, as a keyword or trigger for such

advertising, REAL PURITY in combination with one or more additional terms, words, or phrases (e.g., and without limitation, "real purity cleanser" or "real purity cosmetics").

4. Subsequent to the entry of this STIPULATED ORDER, if Plaintiff believes that Defendant Sephora has violated the terms and conditions of this STIPULATED ORDER, before seeking relief from this Court, Plaintiff shall notify Defendant Sephora's undersigned counsel in writing and Defendant Sephora shall have ten (10) days upon receipt of said written notice to cure any alleged violation.

5. Plaintiff shall withdraw its Motion for Preliminary Injunction Concerning Defendant Sephora's Use of Google Adwords.

IT IS SO ORDERED.

SIGNED this 16th day of May, 2006.

Paul J. Komives
Hon. Paul J. Komives
United States Magistrate Judge

Reviewed and approved by:

s/Eric C. Grimm

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EXHIBIT 31

UNITED STATES DISTRICT COURT

FOR THE DISTRICT OF ARIZONA

Joshua David Mellberg, LLC d/b/a/ J.D. Mellberg Financial, and Joshua David Mellberg, Plaintiffs, v. Advanced Retirement Income Solutions, LLC; and Paul D. Spurlock, Defendants. ——— Advanced Retirement Income Solutions, LLC; and Paul D. Spurlock, Counterclaimants, v. Joshua David Mellberg, LLC d/b/a/ J.D. Mellberg Financial, and Joshua David Mellberg, Counterdefendants.	**No. 4:12-cv-854-TUC-FRZ** **FINAL JUDGMENT AND PERMANENT INJUNCTION**

The parties filed a Stipulation and Joint Motion for Entry of Permanent Injunction and Judgment as part of a comprehensive settlement of this case. Based upon the stipulations and agreements contained therein, the Court grants the motion, approves the stipulation, finds that the requested injunction should be granted for reasons stated below and in the stipulation and joint motion, and grants judgment and a permanent injunction in favor of Plaintiffs Joshua

David Mellberg, LLC d/b/a Mellberg Financial ("JDMF") and Joshua David Mellberg (collectively "Mellberg") against Defendants Advanced Retirement Income Solutions, LLC, and Paul D. Spurlock (collectively "Spurlock"), and each of them, as set forth below. The reasons for granting the injunction are further summarized below.

1. Mellberg operates a Tucson-based financial services firm that provides financial planning and investment advisory services to individuals and businesses. It is well known for advocating retirement plans that include annuities as a significant component, markets and sells annuities via the internet, conducts significant promotional activities relating to annuities over the internet and focuses upon a type of annuity known as a "hybrid annuity," about which Mr. Mellberg frequently writes and speaks. Consumers and financial planners associate hybrid annuities with Mellberg.

2. Mellberg does business under the name and mark of J.D. MELLBERG FINANCIAL and has expended millions of dollars promoting products and services that are recognized by the purchasing public to be of high quality and delivered with superior customer service. Mellberg promotes its products and services under the mark on its website (www.jdmellberg.com). In addition, Mellberg promotes its services on a second website (www.seniorannuityalert.com) using the mark SENIOR ANNUITY ALERT. The Senior Annuity Alert website provides, among other things, information on annuities and videos of Mr. Mellberg speaking about annuities, including hybrid annuities. Both marks have become famous, valuable and associated by the purchasing public throughout the United States with Mellberg.

3. Spurlock operates a financial services firm based in North Carolina, and previously owned and maintained a website with the address www.hybridannuitiesexposed.com (the "Hybrid Annuities Exposed Website" or "HAE Website"). The Hybrid Annuities Exposed Website described risks associated with hybrid annuities and the pitfalls of working with an unqualified or unscrupulous broker.

4. To promote the HAE Website, Spurlock bid on certain Google "AdWords," including "Josh Mellberg," and "Senior Annuity Alert." As a result of Spurlock's AdWords bidding, individuals that conducted a "Google search" by typing in words or phrases such as "Senior Annuity" or "Josh Mellberg" would be presented with one of the following sponsored ads:

<u>Hybrid Annuities Revealed</u> www.HybridAnnuitiesExposed.com Before Buying A Hybrid Annuity You Must See This!	<u>Beware Hybrid Annuities</u> www.HybridAnnuitiesExposed.com Learn The Hybrid Annuity Truth Your Agent May Not Be Telling You
<u>Hybrid Annuity Myths</u> www.HybridAnnuitiesExposed.com Hybrid Annuity Truth May Surprise You. Our Free Demo Reveals It All.	<u>Hybrid Annuities Exposed</u> www.HybridAnnuitiesExposed.com The Good, Bad, and The Ugly Truth Your Agent May Not Be Telling You.

5. If a user clicked on one of these ads, he/she was directed to the HAE Website. Once on the HAE Website, the user could request information from Spurlock.

6. Spurlock has agreed, as part of the settlement of this case, to entry of a permanent injunction/restraining order permanently restricting Spurlock's activities regarding his use of the Accused Keywords as defined below. In connection with the settlement, Spurlock has further agreed to entry of a monetary judgment in favor of Mellberg and against Spurlock in the amount of $72,000 and, separately, to dismissal of all counterclaims with prejudice.

7. The parties have stipulated to this final consent Judgment and Permanent Injunction pursuant to a private settlement of the disputed claims in an effort to resolve this action without the time or expense of further litigation. The parties make no admission as to the allegations of the other parties in this action, including the allegations in Mellberg's First Amended Complaint and Spurlock's Counterclaim, other than the jurisdictional allegations.

IT IS, THEREFORE, ORDERED, ADJUDGED and DECREED as follows:

1. Judgment is granted for Mellberg against Spurlock in the amount of $72,000.

2. The phrase "Accused Keywords" shall mean the terms "Josh Mellberg," "Joshua Mellberg," "JD Mellberg," "J.D. Mellberg," and "Senior Annuity Alert."

3. Spurlock, each of them, their respective officers, agents, servants, employees, attorneys and all other persons in active concert or participation with them are permanently enjoined from:

(i) Appropriating and using Mr. Mellberg's name, or any of the Accused Keywords, for commercial purposes;

(ii) Using any Accused Keywords or (including any colorable imitations thereof or confusingly similar words or phrases as Google Ad Words, or otherwise, to promote a website (such as the Hybrid Annuities Exposed Website) that disparages Mellberg or the products or services sold by Mellberg or seeks to divert business, sales or customers away from Mellberg;

(iii) Using any Accused Keywords or any colorable imitations thereof or confusingly similar words of phrases as Google Ad Words, or otherwise, to divert business, sales or customers to Spurlock;

(iv) Using the Accused Keywords, or any colorable imitation thereof, in connection with offering, selling, advertising or promoting the sale of financial goods or services or from otherwise using keywords confusingly similar thereto;

(v) Infringing the J.D. Mellberg Financial mark or the Senior Annuity Alert mark; and

4. Nothing in Paragraphs 3(i)-(v) shall restrict Spurlock from using the terms "senior," "annuity," or "alert" except in the combination of all three terms in a contiguous sequence;

. . . .

5. All counterclaims shall be, and are hereby, dismissed with prejudice and Spurlock shall take nothing on the counterclaims.

6. Each side shall bear his, her or its own costs and attorneys' fees incurred in connections with this matter.

Dated this 27th day of October, 2016.

Frank R Zapata

Honorable Frank R. Zapata
Senior United States District Judge

EXHIBIT 32

2015 WL 11197741
Only the Westlaw citation is currently available.
United States District Court,
S.D. Florida.

Louis Vuitton Malletier, S.A., Plaintiff,
v.
Abags.co.UK, et al., Defendants.

Case No. 14–Civ–60288–COOKE
|
Signed 02/26/2015
|
Filed 02/27/2015

Attorneys and Law Firms

Stephen Michael Gaffigan, T. Raquel Rodriguez-Albizu, Stephen M. Gaffigan, P.A., Fort Lauderdale, FL, for Plaintiff.

ORDER GRANTING DEFAULT JUDGMENT AND PERMANENT INJUNCTION

MARCIA G. COOKE, United States District Judge

***1** BEFORE ME is Plaintiff's Motion for Entry of Final Default Judgment Against Defendants, ECF No. 39. On February 5, 2014, Plaintiff filed a Complaint for Damages and Injunctive Relief against Defendants, the partnerships and unincorporated associations identified on the attached Schedule "A" (collectively "Defendants") (ECF No. 1). On September 10, 2014, the Clerk of Court entered default as to Defendants for failure to answer or otherwise respond to the Summons and Complaint, ECF No. 38. Defendants have not responded to Plaintiff's Motion.

A "defendant, by his default, admits the plaintiff's well-pleaded allegations of fact," as set forth in the operative complaint. *Eagle Hosp. Physicians, LLC v. SRG Consulting, Inc.*, 561 F.3d 1298, 1307 (11th Cir. 2009). Plaintiff has presented sufficient evidence that it is entitled to a permanent injunction. *See PetMed Express, Inc. v. MedPets.Com, Inc.*, 336 F. Supp. 2d 1213, 1222–23 (S.D. Fla. 2004). Moreover, Plaintiff has presented sufficient evidence that it is entitled to the transfer of the Subject Domain Names from the Defendants. *See, e.g.*, *S.A.S. Jean Cassegrain v. 2013longchamppascherfr.com*, Case No. 13–cv–23194–MGC (S.D. Fla. Aug. 29, 2014); *Abercrombie and Fitch Trading Co. v. 7starzone.com*, 14–cv–60087–MGC (S.D. Fla. May 30, 2014); *Chanel, Inc. v. Boychanelbag.com*, 13–cv–23496–MGC (S.D. Fla. Feb. 28, 2014); *Omega SA v. Copyswisswatches.com*, Case No. 13–cv–20430–MGC (S.D. Fla. Oct. 9, 2013); *Louis Vuitton, Malletier, S.A., v. 1louissacpascher.com*, Case No. 13–cv–20951-MGC (S.D. Fla. Aug. 27, 2013); *adidas AG v. Wu*, Case No. 11–cv–24094–MGC (S.D. Fla. Sept. 28, 2012).

Following the entry of a default judgment, damages may be awarded "without a hearing [if the] amount claimed is a liquidated sum or one capable of mathematical calculation," so long as all essential evidence is a matter of record. *S.E.C. v. Smyth*, 420 F.3d 1225, 1231, 1232 n.13 (11th Cir. 2005) (*quoting Adolph Coors Co. v. Movement Against Racism & the Klan*, 777 F.2d 1538, 1544 (11th Cir. 1985)).

As to Count I (Trademark Counterfeiting and Infringement), 15 U.S.C. § 1117(c) provides that a plaintiff may elect an award of statutory damages in the sum of not less than $1,000.00 and not more than $200,000.00 per counterfeit mark per type of good. Plaintiff has elected to recover an award of statutory damages. Plaintiff has presented evidence that Defendants distributed, advertised, offered for sale, and/or sold at least twenty-two (22) types of goods that were counterfeits of the Louis Vuitton trademarks protected by seventeen (17) federal trademark registrations for such goods. Plaintiff has also presented evidence that Defendants' conduct was willful.

"Statutory damages under § 1117(c) are intended not just for compensation for losses, but also to deter wrongful conduct." *PetMed Express, Inc. v. MedPets.Com, Inc.*, 336 F. Supp. 2d 1213, 1220–21 (S.D. Fla. 2004). Plaintiff has requested $18,000.00 for each counterfeit mark per type of good. To determine this amount, Plaintiff began with a baseline of $3,000.00, trebled the amount to reflect Defendants' willful conduct pursuant to § 1117(b), and doubled the amount for the purpose of deterrence. The result is $18,000.00 per seventeen (17) counterfeited marks per twenty-two (22) types of goods, which amounts to $6,732,000.00 in statutory damages for Plaintiff. The total of $6,732,000.00 in statutory damages is a reasonable damages award pursuant to statute for Plaintiff.

***2** As to Count II (False Designation of Origin), Plaintiff acknowledges that the judgment must be limited to the amount awarded pursuant to Count I, and the entry of a permanent injunction. Plaintiff has presented sufficient evidence that it is entitled to a permanent injunction. *See Petmed Express, Inc.*, 336 F. Supp. 2d at 1222–23. Moreover, this Court has entered similar orders to transfer domain names in cases with similar facts. *See, e.g., S.A.S. Jean Cassegrain v. 2013longchamppascherfr.com*, Case No. 13–cv–23194–MGC (S.D. Fla. Aug. 29, 2014); *Abercrombie and Fitch Trading Co. v. 7starzone.com*, 14–cv–60087–MGC (S.D. Fla. May 30, 2014); *Chanel, Inc. v. Boychanelbag.com*, 13–cv–23496–MGC (S.D. Fla. Feb. 28, 2014); *Omega SA v. Copyswisswatches.com*, Case No. 13–cv–20430–MGC (S.D. Fla. Oct. 9, 2013); *Louis Vuitton, Malletier, S.A., v. 1louissacpascher.com*, Case No. 13–cv–20951–MGC (S.D. Fla. Aug. 27, 2013); *adidasAG v. Wu*, Case No. 11–cv–24094–MGC (S.D. Fla. Sept. 28, 2012).

As to Count III (Cybersquatting), Plaintiff has presented sufficient evidence that eighteen (18) Defendants (collectively the "Cybersquatting Defendants") violated the Anticybersquatting Consumer Protection Act ("ACPA"), 15 U.S.C. § 1125(d). The ACPA provides that a court may "order the forfeiture or cancellation of the domain name or the transfer of the domain name to the owner of the mark." 15 U.S.C. § 1125(d)(1)(c). Plaintiff is entitled to the transfer and ownership of the Cybersquatting Defendants' domain names, which are confusingly similar to the Louis Vuitton trademarks. Additionally, Plaintiff may recover actual damages or statutory damages of not less than $1,000.00 and not more than $100,000.00 per domain name. 15 U.S.C. § 1117(d). Plaintiff has elected statutory damages. Plaintiff requests $10,000.00 for each of the pirated domain names, for a total award of $10,000.00 against Defendant aulouisvuittonhandbags2013.com (Defendant Number 3) for its domain name, $40,000.00 against Defendant bestlvonline.com (Defendant Number 6) for its bestlvonline.com, lvpopular.com, lvbagsfamous.com, and louisvuittonfamous.com domain names, $10,000.00 against Defendant bolsolouisvuittonprecios.es (Defendant Number 7) for its domain name, $20,000.00 against Defendant cheaplvs.com (Defendant Number 11) for its cheaplvs.com and cheaplvshop.com domain names, $20,000.00 against Defendant louisvuittonhandbags-ireland.com (Defendant Number 14) for its louisvuittonhandbags-ireland.com and louisvuittonhandtaschenlv.com domain names, $10,000.00 against Defendant elouisvuittonbags.com (Defendant Number 16) for its domain name, $10,000.00 against Defendant frsaclvsb.com (Defendant Number 20) for its domain name, $10,000.00 against Defendant louisukvuittonhandbags.co.uk (Defendant Number 29) for its domain name, $10,000.00 against Defendant louisvuitton.org.in (Defendant Number 30) for its domain name, $40,000.00 against Defendant louisvuittonchoice.com (Defendant Number 31) for its louisvuittonchoice.com, louisvuittoncompany.com, louisvuittonitems.com, and louisvuittontrend.com domain names, $30,000.00 against Defendant louisvuittonfashionstore.com (Defendant Number 32) for its louisvuittonfashionstore.com, louisvuittonfavorite.com, and louisvuittonwonder.com domain names, $10,000.00 against Defendant lovelouisvuittonbag.com (Defendant Number 33) for its domain name, $10,000.00 against Defendant lvbagsoutlet.com (Defendant Number 36) for its domain name, $10,000.00 against Defendant lvestore.net (Defendant Number 37) for its domain name, $10,000.00 against Defendant lvvvlv.com (Defendant Number 38) for its domain name, $10,000.00 against Defendant needlvbags.com (Defendant Number 41) for its domain name, $10,000.00 against Defendant toplouisvuitton.com (Defendant Number 49) for its domain name, and $10,000.00 against Defendant vuittonlouis.eu (Defendant Number 52) for its domain name.

***3** In light of Defendants' intentional, wrongful behavior, these awards of statutory damages for Plaintiff are reasonable damages awards pursuant to statute. *See, e.g., Louis Vuitton Malletier, S.A. v. 1louissacpascher.com*, Case No. 13–cv–20951–MGC (S.D. Fla. Aug. 27, 2013); *adidasAG v. Wu*, Case No. 11–cv–24094–MGC (S.D. Fla. Sept. 28, 2012); *Chanel, Inc. v. Huang*, Case No. 11–cv–24074–MGC (S.D. Fla. March 29, 2012); *Louis Vuitton Malletier, S.A. v. Gao*, Case No. 10–cv–62375–MGC (S.D. Fla. July 27, 2011); *Tiffany (NJ) LLC v. Lin*, Case No. 10–cv–61942–MGC (S.D. Fla. May 26, 2011); *Petmed Express, Inc.*, 336 F. Supp. 2d at 1221–22; *Transamerica Corp. v. Moniker Online Servs., Inc.*, Case No. 09–cv–60973–CMA, 2010 WL 1416979, at *4 (S.D. Fla. Apr. 7, 2010).

As to Count IV (Common Law Unfair Competition), Plaintiff again acknowledges that the judgment must be limited to the amount awarded pursuant to Count

I, and the entry of a permanent injunction. Plaintiff has presented sufficient evidence that it is entitled to a permanent injunction. *See**Investacorp, Inc. v. Arabian Investment Banking Corp. (Investcorp) E.C.*, 931 F.2d 1519, 1521 (11th Cir. 1991) (holding, in part, that the analysis of the Florida statutory and common law claims of unfair competition is the same as under the federal trademark infringement claim).

Finally, litigation costs are recoverable pursuant to 15 U.S.C. § 1117(a). Plaintiff submits that it is entitled to receive $750.00 in fees, consisting of the filing fee and the process server fee. These costs are reasonable.

Accordingly, it is hereby **ORDERED and ADJUDGED** as follows:

(1) Plaintiff's Motion for Entry of Final Default Judgment Against Defendants, ECF No. 39, is **GRANTED**. Final default judgment is entered in favor of Plaintiff, Louis Vuitton Malletier, S.A., and against Defendants, the Partnerships and Unincorporated Associations identified on Schedule "A" hereto. Plaintiff shall recover from Defendants, the Partnerships and Unincorporated Associations identified on Schedule "A" hereto, in the total amount of $7,012,750.00, that shall bear interest at the rate prescribed by 28 U.S.C. § 1961, and shall be enforceable as prescribed by Rule 69(a) of the Federal Rules of Civil Procedure, for which let execution issue. This amount consists of $6,732,000.00 in statutory damages, jointly and severally, pursuant to 15 U.S.C. § 1117(c), for which sum let execution issue; a total of $280,000.00 in statutory damages pursuant to 15 U.S.C.§ 1117(d) as outlined above, for which sum let execution issue; and a total of $750.00 in costs, jointly and severally, pursuant to 15 U.S.C. § 1117(a), for which sum let execution issue.

(2) All funds currently restrained by PayPal, Inc. ("PayPal") pursuant to the temporary restraining order (ECF No. 9) and preliminary injunction (ECF No. 28) in this action are to be immediately (within 5 business days) transferred to Plaintiff in partial satisfaction of the monetary judgment entered herein. PayPal shall provide to Plaintiff at the time the funds are released, a breakdown reflecting the (i) total funds restrained in this matter; (ii) the total chargebacks, refunds, and/or transaction reversals deducted from the funds restrained prior to release; and (iii) the total funds released to the Plaintiff. On an ongoing basis, should PayPal become aware of additional payment accounts related to Defendants herein, PayPal shall also restrain and transfer the funds in such accounts to Plaintiff in satisfaction of this judgment until the judgment is paid in full.

***4** (3) Permanent Injunctive Relief: Defendants and their officers, agents, servants, employees, and attorneys, and all persons acting in concert and participation with Defendants are hereby permanently **RESTRAINED and ENJOINED** from:

a. manufacturing or causing to be manufactured, importing, advertising, or promoting, distributing, selling or offering to sell counterfeit and infringing goods using Plaintiff's trademarks identified in Paragraph 16 of the Complaint (the "Louis Vuitton Marks");

b. using the Louis Vuitton Marks in connection with the sale of any unauthorized goods;

c. using any logo, and/or layout which may be calculated to falsely advertise the services or products of Defendants offered for sale or sold via the Internet websites, commercial Internet iOffer auction stores, and commercial Internet C2Coffer e-stores identified on Schedule "A" hereto (collectively the "Subject Domain Names, iOffer Auction Stores, and C2Coffer E–Stores") and/or any other website, auction store, e-store, or business as being sponsored by, authorized by, endorsed by, or in any way associated with Plaintiff;

d. falsely representing themselves as being connected with Plaintiff, through sponsorship or association;

e. engaging in any act which is likely to falsely cause members of the trade and/or of the purchasing public to believe any goods or services of Defendants offered for sale or sold via the Subject Domain Names, iOffer Auction Stores, and C2Coffer E–Stores and/or any other website, auction store, e-store, or business are in any way endorsed by, approved by, and/or associated with Plaintiff;

f. using any reproduction, counterfeit, copy, or colorable imitation of the Louis Vuitton Marks in connection with the publicity, promotion, sale, or advertising of any goods sold by Defendants via the Subject Domain Names, iOffer Auction Stores, and C2Coffer E–Stores and/or any other website, auction store, e-store, or business, including, without limitation, handbags, wallets, business card cases, key cases, luggage, such as garment bags, duffel bags, vanity cases, and suitcases, briefcases, rucksacks, mobile telephone covers, shirts, scarves, belts, shoes, hats, sunglasses, watches, and jewelry, including bracelets, earrings, necklaces, and rings;

g. affixing, applying, annexing or using in connection with the sale of any goods, a false description or representation, including words or other symbols tending to falsely describe or represent goods offered for sale or sold by Defendants via the Subject Domain Names, iOffer Auction Stores, and C2Coffer E–Stores and/or any other website, auction store, e-store, or business, as being those of Plaintiff or in any way endorsed by Plaintiff;

h. otherwise unfairly competing with Plaintiff;

i. effecting assignments or transfers, forming new entities or associations or utilizing any other device for the purpose of circumventing or otherwise avoiding the prohibitions set forth above; and

j. using the Louis Vuitton Marks, or any confusingly similar trademarks, within domain name extensions, metatags or other markers within website source code, from use on any webpage (including as the title of any web page), any advertising links to other websites, from search engines' databases or cache memory, and any other form of use of such terms which is visible to a computer user or serves to direct computer searches to websites registered by, owned, or operated by Defendants, including the Internet websites and/or e-commerce iOffer auction stores, and C2Coffer e-stores operating under all of the Subject Domain Names, iOffer Auction Stores, and C2Coffer E–Stores.

***5** (4) Additional Equitable Relief:

a. In order to give practical effect to the Permanent Injunction, the Subject Domain Names[1] are hereby **ORDERED** to be immediately transferred by Defendants, their assignees and/or successors in interest or title, and the Registrars to Plaintiff's control. To the extent the current Registrars do not facilitate the transfer of the domain names to Plaintiff's control within five (5) days of receipt of this judgment, the Registries shall, within thirty (30) days, change the Registrar of Record for the Subject Domain Names to a Registrar of Plaintiff's choosing, and that Registrar shall transfer the Subject Domain Names to Plaintiff; and;

b. Upon Plaintiff's request, the top level domain (TLD) Registry for each of the Subject Domain Names, within thirty (30) days of receipt of this Order, shall place the Subject Domain Names on Registry Hold status for the life of the current registration, thus removing them from the TLD zone files maintained by the Registries which link the Subject Domain Names to the IP addresses where the associated websites are hosted.

(5) Interest from the date this action was filed shall accrue at the legal rate. See28 U.S.C. § 1961.

(6) The Clerk of Court shall release the bond posted by Plaintiff in the amount of $10,000.00.

(7) The Clerk shall **CLOSE** this case.

(8) All pending motions, if any, are **DENIED***as moot.*

DONE and ORDERED in Chambers, in Miami, Florida, this 26th day of February 2015.

SCHEDULE "A"

DEFENDANTS BY NUMBER AND SUBJECT DOMAIN NAMES, iOFFER AUCTION STORES, AND C2COFFER E-STORES

Defendant / Subject Domain Name, Defendant Number iOffer Auction Store, and C2Coffer E-Store 1 abags.co.uk 1 buyreplicabagsus.com 1 usreplicabagstore.com 2 annywholesale.co 3 aulouisvuittonhandbags2013.com 4 baratastiendaespanas.com 4 storewhy.com 5 berkeleyfloristandgarden.com 5 tecnoing.net 6 bestlvonline.com 6 lvpopular.com 6 lvbagsfamous.com 6 louisvuittonfamous.com 7 bolsolouisvuittonprecios.es 8 buenovender.com 8 calzadosspain.net 9 buytophandbagsshop.com 9 easytobestbags.com 10 cheapclothingfind.com 11 cheaplvs.com 11 cheaplvshop.com 12 cheap-handbagsonline.com 13 colahandbags.org 14 compras2u.es 14 einkaufen2u.de 14 louisvuittonhandbags-ireland.com 14 louisvuittonhandtaschenlv.com 15 desiresofmilano.com 16 elouisvuittonbags.com 17 enreplicahandbags.co.uk 17 welcomebags.co.uk 18 exitperu.com 19 firstclassluxury.org 19 first-class-luxury.org 20 frsaclvsb.com 21 geneve-agglo.com 21 akohsales.com 21 shop2bags.com **Defendant / Subject Domain Name, Defendant Number iOffer Auction Store, and C2Coffer E-Store** 21 stridashop.com 21 picostep.com 21 adansw.com 21 eluxurystyles.com 21 rainbow-shoots.com 22 glenda.cn 23 icheaptrade.co 23 tradebags.co 24 iofferdesignerbag.com 25 ireplicabags.com 26 itbagsalestore.com 27 kisspurse.com 27 mcpurses.com 28 knockoffnamesbag.com 28 knockoffname-bag.com 29 louisukvuittonhandbags.co.uk 30 louisvuitton.org.in 31 louisvuittonchoice.com 31 louisvuittoncompany.com 31 louisvuittonitems.com 31 louisvuittontrend.com 32 louisvuittonfashionstore.com 32 louisvuittonfavorite.com 32 louisvuittonwonder.com 33 lovelouisvuittonbag.com 34 lovershandbagsale.com 35 luxus-bags.com 36 lvbagsoutlet.com 37 lvestore.net 38 lvvvlv.com 39 markenschuhe-mall.com 40 myluxurydesigners.com 41 needlvbags.com 42 newfashionitem.com 43 ourluxuries.com 44 presentedegrife.com.br 45 shoehub.net 46 showmebags.com 47 thebagly.com 48 thekeepall.com 49 toplouisvuitton.com 50 topvoguecity.com 51 trade-kk.com **Defendant / Subject Domain Name, Defendant Number iOffer Auction Store, and C2Coffer E-Store** 52 vuittonlouis.eu 53 westwindcopters.com 54 wowobags.com 55 yourcheapbagmall.com 56 999seller 56 hyermonrs 57 aipincaihuiying686 58 angelfu86 59 aotian6688 60 bestoffer567 61 chengcheng1268 62 discount1588 63 haoyunlianlian598 64 happyshopping688 65 hongshuangxi114 66 ipadcase 67 junhao88888 68 kennyluk608 69 kisscase 70 liuqian6 71 lucklonglong888 72 lylyjj321 73 nengzuejiuzuo2010 74 remnic 74 ephonecase 75 selanr 76 shenqi987 77 topnewcn 78 wangfei336kk 78 theonly11 79 wangxixi546 79 tanshop15975355 80 wangzhesp 81 warriormonopoly 82 wsts00 83 xiaomi1688 84 xiaozhanmei 85 xietingfeng2011 85 wangyanqiu123 86 xuezhongfei32 87 accept2011 87 llkkstyle96188 87 qsxcvb2010 **Defendant / Subject Domain Name, Defendant Number iOffer Auction Store, and C2Coffer E-Store** 88 amigoodluck 89 amigoodluck888 89 flagship2011 89 kaitoushun518 89 yuan1688518 89 yuan5588558 90 amity2010 91 bagshop 92 beautifulstore 93 becauseofyou 94 beckham717 95 best_seller888888 96 cheapstore168 96 fashion999 96 fine960 96 happy999 96 likelegantlive 96 superseller518 97 cheers 97 good wish 97 goodluck2011 97 happy2013 97 lovefriend158 97 fashion9898 98 china_shanghai 98 china_shang88 98 chinaone886 98 haoyuntiantian888 99 enjoyyourshopping 100 gamely 101 gongxifacai001 102 haoyou123 103 happy6668 104 heiboy2018 105 honestseller2011888 106 huihuang188 106 qingyuan 106 shuoshuoma 107 icbc 108 leileishop2012 109 lingoes 110 lol0098e 111 minyansong **Defendant / Subject Domain Name, Defendant Number iOffer Auction Store, and C2Coffer E-Store** 112 shangqingshuixiu 113 surprise 113 tongfa123 114 trustwholesale 115 vapor 116 wesleylee 117 wholesalestore 118 wish 119 yuanda668 120 zcjb888 121 zhangyan19850105

All Citations

Slip Copy, 2015 WL 11197741

Footnotes

1 Defendants 1–55 operate commercial Internet websites under their partnership and/or unincorporated association names (the “Subject Domain Names”) whereas Defendants 56–86 operate commercial Internet iOffer auction stores (the “iOffer Auction Stores”) and Defendants 87–121 operate commercial Internet C2Coffer e-stores (the “C2Coffer E–Stores”) via third-party marketplace websites, as opposed to commercial Internet websites. As such, Plaintiff limited its transfer request to the Subject Domain Names only.

End of Document

EXHIBIT 33

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LOUNGE 22, LLC

JS-6

NOTE: CHANGES MADE BY THE COURT

UNITED STATES DISTRICT COURT

CENTRAL DISTRICT OF CALIFORNIA

WESTERN DIVISION

LOUNGE 22, LLC, a California Limited Liability Company Plaintiff, v. BRAND X FURNITURE, an unknown entity; ACME DESIGN GROUP, an unknown entity; ACME SPECIAL EVENTS, INC., a California Corporation; FRANCESCO DIGRADO, an individual, and DOES 1-10, inclusive, Defendants.	CASE NO. CV 09-3692 JFW (Ex) **CONSENT JUDGMENT AND PERMANENT INJUNCTION** Hon. John F. Walter

Upon consent of plaintiff, LOUNGE 22, LLC, a California Limited Liability Company ("Lounge 22"), on the one hand, and defendants ACME MADE IN AMERICA, LLC d/b/a BRAND X FURNITURE, a California Limited Liability Company, ACME SPECIAL EVENTS, INC., a California Corporation, and FRANCESCO DiGRADO, (collectively "Defendants"), on the other hand, it is hereby ORDERED AND ADJUDGED that:

1. This Court has jurisdiction over this action.

2. The true names of the defendants and the real parties in interest in this action are: ACME MADE IN AMERICA, LLC d/b/a BRAND X FURNITURE, a California Limited Liability Company, which was mistakenly named as ACME DESIGN GROUP, an unknown entity, and BRAND X FURNITURE, an unknown entity; ACME SPECIAL EVENTS, INC., a California Corporation; and FRANCESCO DeGRADO, who was mistakenly named as FRANCESCO DIGRADO.

3. Lounge 22 is the owner of the trademarks and trade names LOUNGE 22 and LOUNGE22, and variations thereof (referred to herein as the "Lounge 22 Trademarks"), that Lounge 22 has used the Lounge 22 Trademarks continuously since at least 2005 in connection with event planning, design and furniture rental and that Lounge 22 is the owner of federal trademark registrations for the Lounge 22 Trademarks, including United States Trademark Registration Nos. 3,169,162, 3,169,164, and 3,169,165, and that such marks and registrations are valid and enforceable.

4. Lounge 22 owns valid and existing trade dress rights in the non-functional unique design of the "Snow Curve Banquette," "Tiered Bar," and "Seated Bar" (the "Trade Dress") as shown in the depictions attached hereto as Attachment "A."

5. Defendants have no past or present right, individually or collectively, to the use of the Lounge 22 Trademarks, the Lounge 22 trade name or Lounge 22 trade dress.

6. Each Defendant, together with its or his respective officers, directors, agents, affiliates, servants, employees and attorneys, and those in active concert or participation with each of them, shall be and are hereby PERMANENTLY RESTRAINED AND ENJOINED, from:

a) Utilizing any of the Lounge 22 Trademarks or the Lounge 22 trade name, or any colorable imitation or confusingly similar mark or name in any infringing manner, including but not limited to use as a heading or hyperlinked text in internet advertising, or in connection with the offering for sale, sale or provision of furniture rental or event planning products or services, while Lounge 22 Trademarks or the Lounge 22 trade name are valid and enforceable trademarks or trade names.

b) Utilizing any of Lounge 22's Trade Dress of the Snow Curve Banquette, Seated Bar and Tiered Bar or any colorable imitation thereof in any infringing manner, including but not limited to use as a heading or hyperlinked text in internet advertising, in connection with the advertising, marketing, offering for sale, sale or provision of furniture rental or event planning products or services, while the Lounge 22 Trade Dress of the Snow Curve Banquette, Seated Bar or Tiered Bar are valid and enforceable.

c) Manufacturing, producing, importing, distributing, advertising for sale or rent, selling or renting or otherwise engaging in any commercial activity with respect to any product bearing the Lounge 22 Trademarks, trade name or Trade Dress or any colorable imitation thereof.

d) Using any false designation of origin or false description that can or is likely to lead the trade, public or individual members thereof to believe that any product or service manufactured, distributed, sold or offered for sale by any of the Defendants is in any manner associated or connected with Lounge 22, or is sold, manufactured, licensed, sponsored or approved, authorized by or affiliated with Lounge 22.

e) Engaging in any other activity constituting an infringement of any of the Trademarks or Trade Dress or otherwise unfairly competing with Lounge 22.

7. Defendants shall be jointly and severally liable to pay Lounge 22, collectively, the sum of $15,000 for costs and attorneys' fees in this action.

IT IS SO ORDERED this 16th day of October, 2009**.**

HONORABLE JOHN F. WALTER
UNITED STATES DISTRICT JUDGE

EXHIBIT 34

UNITED STATES DISTRICT COURT
MIDDLE DISTRICT OF FLORIDA
FORT MYERS DIVISION

PROBAR, LLC, a Utah limited liability company

Plaintiff,

v. Case No: 2:14-cv-166-FtM-38CM

ONEBODY, VARIOUS JOHN DOES, JANE DOES and ABC COMPANIES,

Defendants.
_________________________________/

ORDER[1]

This matter comes before the Court on the Plaintiff, Probar, LLC's Renewed Unopposed Motion for Entry of Final Judgment and Permanent Injunction (Doc. #16) filed on October 27, 2014. The Defendant Onebody does not oppose the entry of a permanent injunction.

The Court has jurisdiction over the subject matter in this dispute and over Defendants, Onebody, and Onebody.Com. Venue is proper in this Middle District.

The Court, upon a review of the Verified Complaint, the Motion for Entry of Final Order and the record and evidence in this case, finds jurisdiction, venue, factual basis, and legal basis for the entry of this Order.

[1] Disclaimer: Documents filed in CM/ECF may contain hyperlinks to other documents or Web sites. These hyperlinks are provided only for users' convenience. Users are cautioned that hyperlinked documents in CM/ECF are subject to PACER fees. By allowing hyperlinks to other Web sites, this court does not endorse, recommend, approve, or guarantee any third parties or the services or products they provide on their Web sites. Likewise, the court has no agreements with any of these third parties or their Web sites. The court accepts no responsibility for the availability or functionality of any hyperlink. Thus, the fact that a hyperlink ceases to work or directs the user to some other site does not affect the opinion of the court.

Plaintiff, Probar, LLC, ("Plaintiff") has been engaged in the business of the production and sale of some of the most widely sold and nutrition, meal replacement, snack and sports bars since its founding in 2002. Plaintiff's many goods, including but not limited to, its Probar branded product, are presently made available throughout the United States, in interstate commerce, include widespread distribution in the State of Florida.

Plaintiff's efforts and considerable expenditure of resources have resulted in extensive brand value, brand identity, customer loyalty and recognition.

Plaintiff is the exclusive owner of all right, title and interest in and to the trademark Probar, and various iterations thereof, including:

- United States Trademark Registration No. 2861459 for the mark PROBAR (a mark which has attained the status of "incontestable" pursuant to the Federal Trademark Act);
- United States Trademark Registration No. 4088704 for the mark PROBAR HALO;
- United States Trademark Registration No. 4394011 for the mark PROBAR BOLT;

- United States Trademark Registration No. 4452539 for the mark PROBAR and design;
- United States Trademark Registration No. 4456516 for the mark PROBAR and design;
- United States Trademark Registration No. 4511629 for the mark PROBAR MEAL;
- United States Trademark Registration No. 4513990 for the mark PROBAR; and
- United States Trademark Registration No. 4518549 for the mark PROBAR FUEL,

(hereinafter referred to as “Plaintiff’s Marks”).

Plaintiff’s Marks are each and all fully valid, enforceable and legally subsisting, are inherently distinctive, and have been used and widely advertised and extensively promoted by Plaintiff for its goods, in interstate commerce and in the state of Florida by and through various means and modes, including but not limited to over the internet. Plaintiff’s first of one or more of Plaintiff’s Marks is at least as early as 2003, which is well prior to any first use date of Defendants.

Plaintiff’s success is due at least in part to its use of, and rights in, Plaintiff’s Marks. Through widespread and favorable public acceptance and recognition, Plaintiff’s Marks are valuable assets of substantial value and serve as a symbol of Plaintiff, its exceedingly high quality goods and its goodwill.

Examples of Plaintiff’s Marks on some of Plaintiff’s products are below:


PRO BAR
Meal


PRO BAR
BOLT
ORGANIC ENERGY CHEWS
BERRY BLAST
ORANGE


FUEL
The Superfood Energy Bar
Gluten-Free | Chia Seeds
Full Serving of Fruit
Non-GMO Project Verified
PRO BAR


PRO BAR
halo
The Sweet Snack Bar
Nutty Marshmallow
Made With Organic Oats
Omega 3 & 6
Non-GMO Project Verified
NET WT 1.3oz (37g)

Defendants have used the term PROBAR to package, label, advertise, promote, offer for sale and/or sell a nutritional bar, meal replacement and sports bar without the permission of or authorization from Plaintiff. An example of Defendants' use is shown below:

Accordingly, it is now

ORDERED:

The Plaintiff, Probar, LLC's Renewed Unopposed Motion for Entry of Final Judgment and Permanent Injunction (Doc. #16) is **GRANTED**.

Defendants, together with their officers, directors, principals, agents, servants, employees, successors, assigns, attorneys, and all those persons in active concert or participation with Defendants shall cease use of (1) the term PROBAR, (2) any of Plaintiff's Marks and shall hereafter be prohibited from and shall refrain from any and all of the following:

a. any and all use and/or claim of ownership of the term "PROBAR" and/or any other reproduction, counterfeit, copy, colorable imitation, or confusingly similar terms or marks, in or on any advertising, slogan, website, online ad, internet domain name, packaging, promotional material, promotional communication, signs, tags and/or printed electronic matter, or in any other form or means of use;

b. any act, or failure to act, in connection with the term "PROBAR", or any other confusingly similar terms, which is intended to cause confusion, or cause mistake, or to deceive as to the affiliation, connection, or association of Defendants with Plaintiff, or as to the origin, sponsorship, or approval of Defendants' goods, services, or commercial activities, or causing injury to Plaintiff's business reputation, or dilution of the distinctiveness of Plaintiff's Marks set forth herein, or to Plaintiff's forms of advertisement;

c. purchasing or using any forms of advertising including keywords or "adwords" in internet advertising containing any mark incorporating Plaintiff's Marks in text, or any confusingly similar marks, and shall, when purchasing internet advertising using keywords, adwords[2] or the like, require the activation of the term "PROBAR" as negative keywords or negative adwords1 in any internet advertising purchased or used;

d. directly or indirectly falsely designating or representing that any of Defendants' goods or services are authorized, approved, associated with, or originating from Plaintiff;

e. publishing, assembling, marketing, distributing, or otherwise utilizing for commercial or beneficial gain, any literature, business forms, advertisements, signs, or other representations regardless of the medium, which contain the terms, "PROBAR" or any other confusingly similar terms; and

---

[2] For purposes of this court order, a Anegative keyword" or "negative adword" shall mean a special kind of advertiser keyword matching option that allows an advertiser to prevent its advertisement from appearing when the specific terms are a part of a given user's internet search or search string. It does not infer that the Defendants may use the specified negative keywords or adwords for any other purpose.

f. making any false or misleading statements of fact, false or misleading descriptions, or falsely characterizing the origin of any goods and services, and from suggesting any affiliation with, or sponsorship by, Plaintiff.

The Clerk of the Court is directed to enter judgment accordingly, terminate all pending motions and close the file.

DONE and **ORDERED** in Fort Myers, Florida this 29th day of October, 2014.

Sheri Polster Chappell
SHERI POLSTER CHAPPELL
UNITED STATES DISTRICT JUDGE

Copies: All Parties of Record

EXHIBIT 35

2011 WL 1480537
Only the Westlaw citation is currently available.
United States District Court, C.D. Illinois.

Christopher QUIDGEON, d/b/a Daddyo's Tattoos and Piercings, Plaintiff,
v.
John OLSEN, individually, John Olsen d/b/a Body Art by Daddy–O, and Daddy–O's Tattoo's Inc., an Illinois Corporation, Defendants.

No. 10–cv–1168.
|
April 19, 2011.

Attorneys and Law Firms

Christopher W. Byron, Byron Gerber Petri & Kalb LLC, Edwardsville, IL, for Plaintiff.

ORDER & OPINION

JOE BILLY McDADE, Senior District Judge.

***1** On January 11, 2011, this Court issued an Order and Opinion (Doc. 6) granting in part, and deferring in part, Plaintiff's Motion for Default Judgment (Doc. 4). The Court directed Plaintiff to submit additional evidence to the Court with regards to certain components of Plaintiff's requested damages. (Doc. 6 at 15). In response, Plaintiff has filed the Affidavit of Christopher Quidgeon, which is now before the Court. For the following reasons, the Court now rules that Plaintiff's Motion for Default Judgment (Doc. 4) is GRANTED in part and DENIED in part.

DISCUSSION

Plaintiff has been doing business as Daddyo's Tattoo's and Piercings in Centralia, Illinois since 2003. On June 1, 2010, he filed suit against John Olsen individually, John Olsen doing business as Body Art by Daddy–O's, and Daddy–O's Tattoo's Inc., alleging: 1) trademark infringement, false designation of origin, and false or misleading representations of fact in violation of 15 U .S.C. § 1125(a)(1)(A), 2) trademark infringement and unfair competition in violation of Illinois common law, 3) deceptive trade practices in violation of 815 Ill. Comp. Stat. 510/2, and 4) injury to business reputation and dilution of a federally registered and common law mark in violation of 765 Ill. Comp. Stat. 1036/65. (Doc. 1 at 1–13).

In addition, Plaintiff sought various forms of damages, including that the Court: 1) enter a permanent injunction against Defendants enjoining them from using or displaying Plaintiff's federally registered "DADDYO'S TATTOO" service mark or any similar or confusing variation thereof, and from continuing any other acts of deception or unfair competition; 2) seize and remove from Defendants any and all property or goods bearing infringing trademarks, the means of making such marks, and records documenting the manufacture, sale, or receipt of things involved in all such violations; 3) require Defendants to account to Plaintiff for any and all profits derived by them from the sale of all goods/or services derived through or associated with their acts of infringement, unfair competition, and/or dilution, and award Plaintiff damages to compensate him for loss of revenue, loss of goodwill, and damage to goodwill and reputation; 4) order that all products, systems, merchandise, labels, signs, prints, packages, wrappers, receptacles, advertisements, and any other tangible items in Defendants' possession bearing the mark "DADDYO'S TATTOO'S" or "BODY ART BY DADDY–O" or trademarks confusing similar thereto, as well as all molds, plates, mortices, computer programs and files, and all other tangible and/or intangible means of making the same be accounted, delivered up, and destroyed; 5) award Plaintiff all damages suffered as well as all of Defendants' profits; 6) award Plaintiff treble damages or profits, whichever is greater; 7) award Plaintiff attorneys' fees in the amount of $4,572.30; 8) impose punitive damages upon Defendants in the amount of $5,000.00; 9) assess the costs of this action against Defendants; and 10) award Plaintiff both pre-judgment and post-judgment interest.

***2** In its Order and Opinion of January 11, 2011, this Court placed Defendant in Default, and therefore found that Defendant was liable under all four counts of Plaintiff's Complaint. (Doc. 6 at 5). With regards to damages, the Court found that Plaintiff was entitled to its attorney's fees, costs, and punitive damages, as well as post-judgment interest to accrue thereon. (Doc. 6 at 12–15). The Court deferred judgment with regards to Plaintiff's request for a permanent injunction, an accounting of profits and award of damages for loss of revenue and goodwill, the delivery and destruction of infringing items and their means of production, and the awarding of treble damages and pre-judgment interest. (Doc. 6 at 6–12). The Court also provided Plaintiff with instructions on the kind of evidence it would need in order to properly rule upon these forms of requested damages. (Doc. 6). Plaintiff has now proffered its evidence in response to the Court's directive (Doc. 7), and the Court will analyze the forms of damages on which it previously deferred judgment.

A. Permanent Injunction

The first form of relief sought by Plaintiff, upon which the Court deferred judgment, is a permanent injunction enjoining and restraining Defendants from using or displaying Plaintiff's federally registered "DADDYO'S TATTOO" service mark and/or common law marks, or any similar or confusing variations thereof, including "DADDY–O'S TATTOO'S" and/or "BODY ART BY DADDY–O," in its trade names, advertising, invoices, stationary, directory listings, domain names, websites, Internet megatags, keywords for Internet search engines, post URL or forwarding commands, hyperlinks, and any other electronic coding and search terms, and from continuing any and all acts of deception or unfair competition. (Doc. 4 at 2). This Court has the power to issue such an injunction pursuant to 15 U.S.C. § 1116(a), as well as 765 Ill. Comp. Stat. 1036/65.

Before the Court may award a permanent injunction, however, Plaintiff must demonstrate: "(1) that [he] has suffered an irreparable injury; (2) that remedies available at law, such as monetary damages, are inadequate to compensate for that injury; (3) that, considering the balance of hardships between the plaintiff and defendant[s], a remedy in equity is warranted; and (4) that the public interest would not be disserved by a permanent injunction." *e360 Insight,* 500 F.3d at 604. In its Order and Opinion of January 11, 2011, the Court directed Plaintiff to submit evidence "that establishes that Plaintiff has or continues to suffer a loss of goodwill, reputation, and/or profits as a result of Defendant's violations." In response, Plaintiff has submitted the affidavit of Christopher Quidgeon, the owner and operator of Daddyo's Tattoo's and Piercings. (Doc. 7–1).

According to Quidgeon, after Olsen began doing business as Body Art by Daddy–O's and Daddy–O's Tattoo's Inc., Quidgeon received complaints about the quality of their work, as well as phone calls questioning whether or not the two companies were associated. (Doc. 7–1 at 2). In addition, Quidgeon alleges that his company has lost business at a tradeshow due to confusion regarding the identity of Defendant's operation, and that he loses business in general due to customers' belief that the two enterprises are associated. The Seventh Circuit has established that "damage to a trademark holder's goodwill can constitute irreparable injury for which the trademark owner has no adequate remedy at law." *Re/Max North Century, Inc. v. Cook,* 272 F.3d 424, 432 (7th Cir.2001). Accordingly, the Court finds that Plaintiff has put on sufficient evidence to be awarded a permanent injunction, and Plaintiff's request for such relief is GRANTED.

B. Accounting of Profits and Award of Damages for Loss of Revenue and Goodwill

***3** The next form of damages upon which the Court deferred judgment was Plaintiff's request that Defendants be required to account to Plaintiff for any and all profits derived by Defendants from the sale of all goods and/or services derived through or associated with Defendants' acts of infringement, unfair competition, and/or dilution; and further that Plaintiff be awarded damages for Defendant's infringement, unfair competition, and/or dilution of Plaintiff's mark and Defendant's unfair trade practices so as to compensate Plaintiff for all damages, including loss of revenue, loss of goodwill, and damage to its goodwill and reputation as a result of Defendants' acts. In deferring judgment on this matter, the Court directed Plaintiff to submit evidence of Defendant's sales, or, in the alternative, evidence of actual losses of sales, profits, or goodwill. Plaintiff has failed to put forth any evidence of its own actual losses or Defendant's actual sales which arose due to Defendants' violations. Because Plaintiff has not put forward such evidence, its request for such damages is DENIED.

C. Delivery and Destruction of Infringing Items and Means of Production

In its Order and Opinion of January 11, 2011, the Court also deferred ruling on Plaintiff's request that all products, systems, merchandise, labels, signs, prints, packages, wrappers, receptacles, advertisements, and any other tangible items in possession of Defendants bearing the mark "DADDY–O'S TATTOO'S" and/or "BODY ART BY DADDY–O" or trademarks confusingly similar thereto, as well as all molds, plates, mortices, computer programs and files, and all other tangible and/or intangible means of making the same to be accounted, delivered up, and destroyed. (Doc. 6 at 10–11). Plaintiff requested such relief pursuant to 15 U.S.C. § 1118. The Court indicated that it would decide whether or not to order such delivery and destruction after it decided whether to enter a permanent injunction and upon a proper showing by Plaintiff that he had notified the United States attorney of his intention to seek such order pursuant to § 1118. (Doc. 6 at 10–11). Because Plaintiff has not put on any evidence that he has properly notified the United States attorney in conformance with § 1118, his request for such an order must be DENIED. [1]

D. Treble Damages and Prejudgment Interest

Finally, while the Court found that the awarding of treble damages and prejudgment interest may be appropriate in this case, it deferred entering such ruling until Plaintiff provided actual evidence of damages. (Doc. 6 at 12; 15). As previously discussed, Plaintiff has failed to submit any evidence of actual damages. Accordingly, it is not possible for treble damages or pre-judgment interest to be awarded thereon, and Plaintiff's requests for such remedies are DENIED.

CONCLUSION

For the foregoing reasons, and the reasons expressed in this Court's Order and Opinion of January 11, 2011, Plaintiff's Motion for Default Judgment is GRANTED in part and DENIED in part. The Clerk is DIRECTED TO ENTER JUDGMENT in favor of Plaintiff and against Defendant in the amount of $10,103.60, [2] with post-judgment interest to accrue thereon in conformance with 28 U.S.C. § 1961. Further, Defendant is hereby enjoined from using or displaying Plaintiff's federally registered "DADDYO'S TATTOO" service mark and/or common law marks, or any similar or confusing variations thereof, including "DADDY–O'S TATTOO'S" and/or "BODY ART BY DADDY–O," in its trade names, advertising, invoices, stationary, directory listings, domain names, websites, Internet megatags, keywords for Internet search engines, post URL or forwarding commands, hyperlinks, and any other electronic coding and search terms, and from continuing any and all acts of deception or unfair competition. All other relief requested by Plaintiff is DENIED. IT IS SO ORDERED.

All Citations

Not Reported in F.Supp.2d, 2011 WL 1480537

Footnotes

1 Moreover, the Court finds that because a permanent injunction has been entered against Defendant, such an order would be unnecessary. *See Breaking the Chain Foundation, Inc. v. Capital Educational Support, Inc.,* 589 F.Supp.2d 24, 33 (D.D.C.2008).

2 This amount is comprised of $5,000 in punitive damages, $531.30 in Plaintiff's costs, and $4,572.30 in Plaintiff's attorneys' fees.

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EXHIBIT 36

CLOSED CIVIL CASE

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA
MIAMI DIVISION
Case No. 13-20643-CIV-GRAHAM/GOODMAN

ROLEX WATCH U.S.A.., INC.,

Plaintiff,

vs.

JESUS ELOY HERNANDEZ,

Defendant.

_____________________________________/

ORDER

THIS CAUSE comes before the Court upon Plaintiffs' Motion for Entry of Default Final Judgment and Permanent Injunction against Defendants [D.E. 9].

THE MATTER was referred to the United States Magistrate Judge Jonathan Goodman [D.E. 11]. The Magistrate Judge issued a Report [D.E.13] recommending that Plaintiff's motion for entry of final default judgment be granted. The parties filed no timely objections to the Magistrate Judge's Report.

THE COURT has conducted an independent review of the file and is otherwise fully advised in the premises. Accordingly, it is hereby

ORDERED AND ADJUDGED that United States Magistrate Judge Goodman's Report is hereby **RATIFIED, AFFIRMED and APPROVED** in its entirety. [D.E. 13]. It is further

ORDERED AND ADJUDGED that Plaintiffs' Motion for Entry of

Default Final Judgment and Permanent Injunction against Defendants [D.E. 9] is **GRANTED.** It is further

ORDERED AND ADJUDGED that:

(1) Permanent Injunctive Relief

Hernandez, his agents, servants, employees, and all other persons in privity oracting in concert with him are hereby permanently restrained and enjoined from the following:

(a) Manufacturing or causing to be manufactured, importing, advertising or promoting, distributing, selling or offering to sell counterfeit and infringing goods bearing Rolex's trademarks identified in Paragraph 15 of the Complaint(the "Rolex Marks");

(b) Using any reproduction, counterfeit, copy, or colorable imitation of the Rolex Marks to identify any goods or the rendering of any services not authorized by Rolex;

(c) Engaging in any course of conduct likely to cause confusion, deception, mistake, or injure Rolex's business reputation or weaken the distinctive quality of the Rolex Marks, Rolex's name, reputation, or goodwill;

(d) Using a false description or representation including words or other symbols tending to falsely describe or represent their unauthorized goods as being those of Rolex or sponsored by or associated with Rolex and from offering such goods in commerce;

(e) Further infringing or diluting the Rolex Marks by manufacturing, producing, distributing, circulating, selling, marketing, offering for sale, advertising, promoting, displaying or otherwise disposing of any products not authorized by Rolex bearing any simulation, reproduction, counterfeit, copy, or colorable imitation of the Rolex Marks;

(f) Using any simulation, reproduction, counterfeit, copy, or colorable imitation of the Rolex Marks in connection with the promotion, advertisement, display, sale, offering for sale, manufacture, production, circulation, or distribution of any unauthorized products in such fashion as to relate or connect, or tend to relate or connect, such products in any way to Rolex, or to any goods sold, manufactured, sponsored or approved by, or connected with Rolex;

(g) Making any statement or representation whatsoever, or using any false designation of origin or false description, or performing any act, which can or is likely to lead to the trade or public, or individual members thereof, to believe that any services provided, products manufactured, distributed, sold or offered for sale, or rented by Hernandez are in any way associated or connected with Rolex, or is provided, sold, manufactured, licensed, sponsored, approved, or authorized by Rolex;

(h) Engaging in any conduct constituting an infringement of any of the Rolex Marks, or Rolex's right in, or to use or to exploit said trademarks, or constituting any weakening of Rolex's name, reputation, and goodwill;

(i) Using or continuing to use the Rolex Marks or trade names in any variation thereof on the Internet (either in the text of a website, as a domain name, or as a keyword, search word, metatag, or any part of the description of the site in any submission for registration of any Internet site with a search engine or index) in connection with any goods or services not directly authorized by Rolex;

(j) Hosting or acting as Internet Service Provider for, or operating or engaging in the business of selling any website or other enterprise that offers for sale any products bearing the Rolex Marks;

(k) Acquiring, registering, maintaining, or controlling any domain names that include the Rolex trademark or any of the other Rolex Marks or any marks confusingly similar thereto, activating any website under said domain names, or selling, transferring, conveying, or assigning any such domain names to any entity other than Rolex;

(l) Using any email address to offer for sale any non□genuine products bearing counterfeits of the Rolex Marks;

(m) Having any connection whatsoever with any websites that offer for sale any merchandise bearing counterfeits of the Rolex Marks;

(n) Secreting, destroying, altering, removing, or otherwise dealing with the unauthorized products or any books or records that contain any information relating to the importing, manufacturing, producing, distributing, circulating, selling, marketing, offering for sale, advertising, promoting, or displaying of all unauthorized products that infringe the Rolex Marks; and

(o) Effecting assignments or transfers, forming new entities or associations, or utilizing any other device for the purpose of circumventing or otherwise avoiding the prohibitions set forth in Subparagraphs (a) through (n).

(2) Statutory Damages

Award Rolex $200,000 in statutory damages pursuant to 15 U.S.C. § 1117(c).

(3) Fees and Costs

Award Rolex $3,789.50 in fees and costs pursuant to 15 U.S.C. § 1117(a).

(4) Interest

Interest from the date of judgment shall accrue at the legal rate. *See* 28 U.S.C. §1961. It is further

ORDERED AND ADJUDGED that that the District Court order that (1) Hernandez remove all Rolex-related text and media from the websites with which he is connected within ten days of judgment; (2) Hernandez file and serve Rolex with a sworn statement setting forth in detail how he has complied with the permanent injunction, pursuant to 15 U.S.C. § 1116(a); and (3) Hernandez deliver for destruction to Rolex, pursuant to 15 U.S.C. § 1118, all unauthorized materials bearing any of the Rolex Marks in association with unauthorized goods or services and the means for production of the same. It is further

ORDERED AND ADJUDGED that this case is **CLOSED** and any pending motions are denied as **MOOT**.

DONE AND ORDERED in Chambers at Miami, Florida, this 19th day of August, 2013.

DONALD L. GRAHAM
UNITED STATES DISTRICT JUDGE

cc: U.S. Magistrate Judge Goodman
All Counsel of Record

EXHIBIT 37

2010 WL 1416979
Only the Westlaw citation is currently available.
United States District Court, S.D. Florida,
Miami Division.

TRANSAMERICA CORPORATION, Plaintiff,
v.
MONIKER ONLINE SERVICES,
LLC, et al., Defendants.

No. 09–60973–CIV.
|
April 7, 2010.

Attorneys and Law Firms

Ava K. Doppelt, Allen Dyer Doppelt Milbrath & Gilchrist, Orlando, FL, Robert Houpt Thornburg, Allen Dyer Doppelt Milbrath & Gilchrist P.A., Coral Gables, FL, Bruce A. McDonald, Buchanan, Ingersoll & Rooney, P.C., Alexandria, VA, Bruce P. Merenstein, David Smith, Elizabeth Lai Featherman, Schnader Harrison Segal & Lewis LLP, Philadelphia, PA, for Plaintiff.

DEFAULT JUDGMENT

CECILIA M. ALTONAGA, District Judge.

***1 THIS CAUSE** came before the Court upon Plaintiff, Transamerica Corporation's ("Transamerica['s]") Motion for Default Judgment Against Jan Stroh and Supporting Memorandum of Law ("Motion") [D.E. 113], filed on March 11, 2010. A Clerk's Default [D.E. 110] was entered against Defendant, Jan Stroh ("Stroh") on February 25, 2010, as Stroh failed to appear, answer, or otherwise plead to the First Amended Complaint ("Amended Complaint") [D.E. 23], despite having been served. (*See* Transamerica's Mot. for Clerk's Default [D.E. 100], Ex. C). The Court has carefully considered the Motion, the record and the applicable law.

I. BACKGROUND

This case involves the registration and use of counterfeit internet domain names. Transamerica, a long-established holding company for a group of subsidiaries engaged in the sale of life insurance, investment planning, and retirement services, brought this action against Moniker Online Services, LLC; Oversee.Net; Moniker Privacy Services, LLC; and 15 John Doe Defendants. (*See* Am. Compl. ¶¶ 10–28). Transamerica now seeks a default judgment against one of the John Doe Defendants, Jan Stroh. (*See* Mot. at 1). Stroh is believed to be an anonymous individual or fictitious entity. (*See id.* at 2–3).

Transamerica alleges Stroh willfully engaged in service mark counterfeiting (Count I); service mark infringement (Count III); cybersquatting (Count V); unfair competition, false representation and false designation of origin (Count VII); trademark dilution under federal law (Count VIII); common law unfair competition (Count IX); and trademark dilution under Florida law (Count X). (*See* Am. Compl. ¶¶ 91–108, 120–22, 125–34, 141–54). Transamerica alleges Stroh registered and used Internet domain names incorporating or imitating its federally registered "Transamerica" service mark and profited from its actions through a "domain name monetization" scheme. (*See id.* ¶¶ 61–85). Specifically, Stroh was the owner of ONTRANSAMERICALIFE INSURANCE.COM. (*See id.* ¶ 20).

Transamerica now seeks the entry of a default judgment against Stroh and asks the Court to award injunctive relief, statutory damages, attorney's fees and costs. In support of the Motion, Transamerica filed the affidavit of Bruce A. McDonald, Transamerica's counsel in this action, and exhibits documenting the registration and ownership of the infringing domain. (*See* Mot., Exs. A–B).

II. DEFAULT JUDGMENT STANDARD

Pursuant to Federal Rule of Civil Procedure 55(b)(2), the Court is authorized to enter a final judgment of default against a party who has failed to plead in response to a complaint. " '[A] defendant's default does not in itself warrant the court entering a default judgment.' " *DirecTV, Inc. v. Huynh,* 318 F.Supp.2d 1122, 1127 (M.D.Ala.2004) (quoting *Nishimatsu Constr. Co., Ltd. v. Houston Nat'l Bank,* 515 F.2d 1200, 1206 (5th Cir.1975)). Granting a motion for default judgment is within the trial court's discretion. *See Nishimatsu,* 515 F.2d at 1206. Because the defendant is not held to admit facts that are not well pleaded or to admit conclusions of law, the court must first determine whether there is a sufficient basis in the pleading for the judgment entered. *See id.; see also Buchanan v. Bowman,* 820 F.2d 359, 361 (11th Cir.1987) ("[L]iability is well-pled in the complaint, and is therefore established by the entry of default ....").

III. ANALYSIS OF LIABILITY

***2** Transamerica seeks a default judgment on its claims that Stroh willfully engaged in service mark counterfeiting (Count I); service mark infringement (Count III); cybersquatting (Count V); unfair competition, false representation and false designation of origin (Count VII); trademark dilution under federal law (Count VIII); common law unfair competition (Count IX); and trademark dilution under Florida law (Count X).

In support of the following analysis, the Court finds that Transamerica has registered and owns the series of service marks at issue in this case; that its marks are valid and incontestable under section 15 of the Lanham Act, 15 U.S.C. § 1065; and that Transamerica has the exclusive right to use the service marks in connection with the various services it provides, as alleged in the Amended Complaint. (*See* Am. Compl ¶¶ 33–43). The Court further finds that Stroh used Transamerica's service marks on its website without Transamerica's consent.

A. Count I—Service Mark Counterfeiting

The elements of a service mark counterfeiting claim require plaintiff to show the defendant used a "counterfeit" of plaintiff s registered mark without consent, and the defendant's use of the counterfeit mark is likely to cause confusion. *See* 15 U.S.C. § 1114(1). Adding a generic or descriptive term to domain names associated with plaintiffs goods or services constitutes counterfeiting. *See Dell Inc. v. BelgiumDomains,* LLC, No. 07–22674–CIV, 2007 WL 6862342, at *7 (S.D.Fla. Nov.21, 2007).

Transamerica sufficiently alleges all of the required elements of service mark counterfeiting by Stroh. Stroh employed Transamerica's service marks on his or her website in a manner likely to cause contusion. Moreover, the Court finds Stroh's actions to be willful in that Stroh has acted in "bad faith" and with "reckless disregard" for the known trademark rights of Transamerica.

B. Count III—Service Mark Infringement

To prevail on a service mark infringement claim under Section 32(1) of the Lanham Act, 15 U.S.C. § 1114(1)(a), Transamerica must show (1) its mark has priority; (2) Stroh used Transamerica's mark in commerce; and (3) Stroh's use of the service mark is or was likely to deceive, cause confusion or result in mistake. *See Int'l Cosmetics Exch., Inc. v. Gapardis Health & Beauty, Inc.,* 303 F.3d 1242, 1248 (11th Cir.2002).

Upon review of the allegations included in the Amended Complaint, there can be no dispute that Stroh's use of Transamerica's marks poses a substantial likelihood of consumer confusion. The Court concludes Transamerica has sufficiently alleged all of the required elements of service mark infringement and finds Stroh liable for infringement of Transamerica's service mark.

C. Count V—Cybersquatting

The Anticybersquatting Consumer Protection Act (the "ACPA") defines cybersquatting as "the (1) registration, use, or trafficking in, a domain name (2) that is identical or confusingly similar to a distinctive or famous trademark, (3) with a bad-faith intent to profit from the mark." *Dell Inc.,* 2007 WL 6862342, at *5 (citing 15 U.S.C. § 1125(d)).

***3** To determine whether a defendant possesses the required bad-faith intent to profit from Transamerica's marks, courts consider nine factors:

(1) the trademark or other intellectual property rights of the defendant, if any, in the domain names;

(2) the extent to which the domain names consist of the legal name or commonly used names of the defendant;

(3) the defendant's prior use of the domain names for the bona fide offering of goods or services;

(4) any bona fide noncommercial or fair use of the mark under the domain names;

(5) the defendant's intent to divert consumers from the plaintiff's websites to the defendant's websites by creating a likelihood of confusion;

(6) the defendant's offer to transfer, sell, or otherwise assign the domain names to the plaintiff or others for financial gain;

(7) the defendant's provision of material and misleading false contact information when registering the domain names and its intentional failure to maintain accurate contact information;

(8) the defendant's registration or acquisition of multiple domain names that they know are identical or confusingly similar to marks of others; and

(9) the extent to which the plaintiff's marks are or are not distinctive and famous.

See 15 U.S.C. §§ 1125(d)(1)(B)(i)(1)—(IX).

The Court finds that each of the bad-intent factors weighs in favor of Transamerica and against Stroh. In sum, Transamerica has alleged a sufficient basis to find Stroh liable for cybersquatting.

D. Count VII—Unfair Competition

To establish a claim of unfair competition under the Lanham Act, a plaintiff must show it has prior rights to the mark at issue, and the defendant adopted a name or mark that was the same or confusingly similar to plaintiff's mark such that consumers were likely to confuse the two. *See* 15 U.S.C. § 1125(a). Transamerica has alleged facts sufficient to find Stroh engaged in unfair competition under federal law.

E. Counts VIII and X—Trademark Dilution Under Federal and Florida Law

Federal and Florida law on trademark dilution require plaintiffs to plead facts sufficient to establish four elements: (1) the plaintiff's mark is famous; (2) the defendant adopted the mark after the plaintiff's mark became famous; (3) the defendant's mark diluted the plaintiff's mark; and (4) the defendant's use was commercial and in commerce. *See* 15 U.S.C. § 1125(c) and Fla. Stat. § 495.151.

Upon a review of the allegations in the Amended Complaint, the Court concludes the facts pleaded by Transamerica are sufficient to state a claim of trademark dilution. Transamerica has alleged facts, that if taken as true, show Stroh's actions constituted dilution of Transamerica's mark under federal and Florida law.

F. Count IX—Common Law Unfair Competition

To prevail on its Florida common law unfair competition claim, Transamerica must prove (1) Transamerica is the prior user of the service mark; (2) the service mark is arbitrary or suggestive or has acquired secondary meaning; (3) Stroh is using a confusingly similar service mark to indicate or identify similar services rendered by Stroh in competition with Transamerica in the same trade area in which Transamerica has already established its service mark; and (4) as a result of Stroh's actions, consumer confusion as to the source or sponsorship of the services is likely. *See Am. United Life Ins. Co. v. Am. United Ins. Co.,* 731 F.Supp. 480, 486 (S.D.Fla.1990). “Under Florida law, the plaintiff must show either ‘that the public would be tricked’ or that the plaintiff will be damaged because persons dealing with the defendant are likely to believe they are dealing with the plaintiff.” *Id.* (quoting *Sun Coast, Inc. v. Shupe,* 52 So.2d 805, 806 (Fla.1951)).

***4** The Court concludes Transamerica has alleged sufficient facts to sustain a finding of common law unfair competition by Stroh. Accordingly, the Court concludes the Plaintiff's Motion for Default Judgment as to Defendant Jan Stroh for Counts I, III, V and VII–X should be granted.

IV. RELIEF

Transamerica seeks statutory damages for counterfeiting and cybersquatting, injunctive relief, and attorney's fees and costs against Stroh. “Although a defaulted defendant admits well-pleaded allegations of liability, allegations relating to the amount of damages are not admitted by virtue of default. Rather, the Court determines the amount and character of damages to be awarded.” *Miller v. Paradise of Port Rickey, Inc.,* 75 F.Supp.2d 1342, 1346 (M.D.Fla.1999). While Federal Rule of Civil Procedure 55(b) (2)(b) permits the court to conduct hearings on a default judgment when it needs to determine the amount of damages, an evidentiary hearing is not necessary if the plaintiff submits sufficient evidence to support the request for damages. *See S.E.C. v. Smyth,* 420 F.3d 1225, 1232 n. 13 (11th Cir.2005).

A. Statutory Damages for Counterfeiting

The Lanham Act permits statutory damages in lieu of actual damages for service mark counterfeiting. *See* 15 U.S.C. § 1117(c). Transamerica seeks $2,000,000.00 in statutory damages under the Lanham Act (*see* Mot. at 1), which is the maximum amount available when the court finds the use of the mark was willful. 15 U.S.C. § 1117(c)(2). But Transamerica has not provided the Court with sufficientjustification to support such an award, and thus no such damages are awarded. [1]

B. Statutory Damages for Cybersquatting

The Lanham Act also permits statutory damages for cybersquatting in lieu of actual damages. *See* 15 U.S.C. § 1117(d); 1125(d)(1). Statutory damages range from "not less than $1,000 and not more than $100,000 per domain name, as the court considers just." 15 U.S.C. § 1117(d). Transamerica seeks $ 100,000.00 for cybersquatting, which is the maximum amount available against Stroh for the use of a single domain name. While damage awards provide restitution and reparation for injury, they also serve to deter wrongful conduct. *See* *E. & J. Gallo Winery v. Spider Webs Ltd.,* 286 F.3d 270, 278 (5th Cir.2002). Transamerica justifies its claim by pointing to the criminal intent, fraud and concealment, and the complexity of the scheme employed by Stroh. (*See* Mot. at 17). Because Stroh has engaged in cybersquatting, fraud and concealment, the Court finds an award of $100,000.00 in damages to be appropriate.

C. Injunctive Relief

Transamerica seeks injunctive relief under section 34(a) of the Lanham Act, 15 U.S.C. § 1116(a), asking the Court to permanently enjoin Stroh from further use of the Transamerica name and service marks. Section 43(c) of the Lanham Act also provides injunctive relief against another party's commercial use of a trademark if the other's use begins after the mark has become famous and causes dilution of the distinctive quality of the mark. *See* 15 U.S.C. § 1125(c); *Portionpac Chem. Corp. v. Sanitech Sys., Inc.,* 217 F.Supp.2d 1238, 1250 (M.D.Fla.2002).

***5** "[A]n injunction is an equitable remedy ... [that] should issue only where the intervention of a court of equity 'is essential in order effectually to protect property rights against injuries otherwise irremediable.' " *Weinberger v. Romero–Barcelo,* 456 U.S. 305, 311–12, 102 S.Ct. 1798, 72 L.Ed.2d 91 (1982) (quoting *Cavanaugh v. Looney,* 248 U.S. 453, 456, 39 S.Ct. 142, 63 L.Ed. 354 (1919)). A plaintiff who seeks a permanent injunction must show (1) it has suffered irreparable injury; (2) remedies at law are inadequate to compensate it for that injury; (3) a remedy in equity is warranted in light of balancing the hardships between the plaintiff and defendant; and (4) the public interest would not be disserved by a permanent injunction. *See id.; see also* *eBay, Inc. v. MercExchange, L.L.C.,* 547 U.S. 388, 390, 126 S.Ct. 1837, 164 L.Ed.2d 641 (2006).

The Court agrees with Transamerica's allegations it has suffered irreparable injury to its service marks by the infringement, dilution, counterfeiting and cybersquatting activities of Stroh, Because monetary damages are unlikely to deter Stroh, who has failed to respond to this suit, remedies at law are unlikely to compensate Transamerica for its injury. Moreover, if Stroh is not prohibited from using the Transamerica marks, the public will likely continue to be deceived by Stroh's conduct.

Hardship to Transamerica in the form of continued dilution to its marks, lost profits and commerce, and consumer misrepresentations about the quality of Transamerica's products will likely continue if Stroh is not enjoined. The harm to Stroh as a result of an injunction is that Stroh will be precluded from continuing the trademark violations and be prohibited from benefitting from monetization schemes. Thus, the balance of the hardship between the parties favors Transamerica and the issuance of an injunction.

Finally, the global public would surely benefit from an injunction because it would protect them from Stroh's unlawful conduct.

In sum, because Transamerica has demonstrated the factors necessary for a permanent injunction, and because the Court cannot be assured that Stroh will not engage in similar behavior in the future, the Court grants the injunctive relief sought by Transamerica.

D. Attorney's Fees and Costs

Transamerica also seeks attorney's fees and costs. Under the Lanham Act, "[t]he court in exceptional cases may award reasonable attorney fees to the prevailing party." 15 U.S.C. § 1117(a). Generally, courts award fees and costs upon evidence of "malicious, fraudulent, deliberate, or willful" conduct by the infringing party. *Burger King Corp. v. Pilgrim's Pride Corp.,* 15 F.3d 166, 168 (11th

Cir.1994) (internal quotation marks omitted). "[T]he correct standard in the Eleventh Circuit is fraud or bad faith." *Lipscher v. LRP Publ'ns, Inc.,* 266 F.3d 1305, 1320 (11th Cir.2001) (citing *Safeway Stores, Inc. v. Safeway Disc. Drugs, Inc.,* 675 F.2d 1160 (11th Cir.1982)). Ultimately, "the decision to grant attorney fees remains within the discretion of the trial court." *Burger King Corp.,* 15 F.3d at 168. However, the court must articulate the basis for awarding fees. *See Planetary Motion, Inc. v. Techsplosion, Inc.,* 261 F.3d 1188, 1205 (11th Cir.2001).

***6** Transamerica's well-pleaded allegations, supported by the affidavit of Bruce A. McDonald and its attachments, establish Stroh has engaged in fraud and acted in bad faith. (*See* Mot., Ex. A). The result of Stroh's infringement, dilution and cyberpiracy activities has been to not only harm Transamerica and its service mark, but to deceive unassuming consumers seeking out a reputable insurance company on the Internet. Stroh's willful cybersquatting harmed Transamerica and its service mark. This "malicious, fraudulent, deliberate [and] willful" conduct by Stroh substantiates Transamerica's claim for reasonable attorney's fees and costs under 15 U.S.C. § 1117(a).

However, an award of attorney's fees must be reasonable. *See id.* "The party seeking an award of fees should submit evidence supporting the hours worked and the rates claimed." *Hensley v. Eckerhart,* 461 U.S. 424, 433, 103 S.Ct. 1933, 76 L.Ed.2d 40 (1983) (discussing reasonable fees under the Civil Rights Attorney's Fees Awards Act); *see also ALPO Petfoods, Inc. v. Ralston Purina Co.,* 778 F.Supp. 555, 566 (D.D.C.1991), amended by No. Civ. A. 86–2728, 1991 WL 1292963, at *12–13 (D .D.C. Dec. 4, 1991) (calculating and recalculating attorney's fees in Lanham Act case).

Transamerica seeks $50,000.00 in attorney's fees, but fails to provide any calculation of time and hourly rates in support of its request. Rather, Transamerica states its attorney's fees have "exceeded all expectations by reason of multiple Rule 11 motions filed by the Moniker Defendants. Arguably the responsibility for attorney fees induced by the Moniker Defendants should be visited upon the John Doe Defendants." (*See* Mot., Ex. A, ¶ 21). The Court disagrees. Transamerica agreed to dismiss the Moniker Defendants, "having amicably resolved their differences ...." (*See* Joint Stip. for Dismissal with Prejudice [D.E. 72]). There is no relationship between the actions of the Moniker Defendants and Jan Stroh justifying the imposition of fees on Stroh. While Transamerica is entitled to reasonable attorney's fees, those fees must be reasonable as to this defendant in default and with due consideration to the other John Doe Defendants named in this suit.

For these reasons, Transamerica's claim for attorney's fees against Stroh in the amount of $50,000.00 is denied.

V. CONCLUSION

Consistent with the foregoing analysis, it is hereby

ORDERED AND ADJUDGED as follows:

1. Plaintiff, Transamerica's Motion for Default Final Judgment Against Jan Stroh **[D.E. 113]** is **GRANTED in part** and **DENIED in part.**

2. Transamerica is granted final judgment by default against Defendant Jan Stroh on Counts I, III, V, VII, VIII–X of the Amended Complaint for violations of the Anticounterfeiting Consumer Protection Act, 15 U.S.C. § 1114(1); the Anticybersquatting Consumer Protection Act, 15 U.S.C. § 1125(d); unfair competition under the Lanham Act, 15 U.S.C. 1125(a); trademark dilution under federal and Florida law, 15 U.S.C. § 1125(c) and Fla. Stat. § 495.151; and common law unfair competition.

***7** 3. Defendant Jan Stroh, collectively and individually, and his or her officers, shareholders, partners, principals, agents, assignees, beneficiaries, successors, licensees, distributors, attorneys, proxies, alter egos, aliases, and all other persons acting in concert with Jan Stroh collectively or individually, be, and hereby are permanently enjoined, from

(a) registering or using as a trade name, trademark, service mark, Internet domain name, or portion thereof, any name or term that incorporates, imitates, or is confusingly similar to Plaintiff's "Transamerica" service mark;

(b) purchasing, selling, or using any form of advertising including keywords or Adwords in Internet advertising containing any mark that incorporates, initiates, or is confusingly similar to Plaintiff's "Transamerica" service mark, and requiring Jan Stroh, when purchasing or selling Internet advertising using keywords, Adwords or the like, to activate the name "Transamerica" as a negative keyword or negative Adword in any Internet advertising purchased, sold or used;

(c) infringing Plaintiff's "Transamerica" service mark, including all written and spoken terms equivalent or confusingly similar thereto;

(d) using Plaintiff's "Transamerica" service mark, or any name or mark that incorporates, imitates, or is reminiscent of or confusingly similar thereto, for any product or service, or in any letterhead, sign, website, advertising or promotion, e-mail or other sales solicitation or business listing, either in print, broadcast, electronic or other form, either separately or compositely with other words;

(e) using Plaintiffs "Transamerica" service mark, or any name or mark confusingly similar thereto, as a corporate and/or trade name and/or fictitious name or portion thereof;

(f) making representations, directly or indirectly, to anyone, anywhere, by any means, including but not limited to unauthorized co-branding, that this Defendant is related to, associated or affiliated with, or sponsored, endorsed or approved by Plaintiff;

(g) in any manner depicting, uttering or imitating Plaintiff's "Transamerica" service mark for the purpose of misappropriating the trade and goodwill of Plaintiff by association, imitation, fraud, mistake or deception; and

(h) unfairly competing with Plaintiff in any manner.

4. Transamerica is awarded statutory damages of $100,000.00, pursuant to the Anticybersquatting Consumer Protection Act, 15 U.S.C. § 1125(d).

5. Transamerica is entitled to reasonable costs pursuant to Section 35(a) of the Lanham Act, 15 U.S.C. § 1117(a).

6. Transamerica's claim for attorney's fees in the amount of $50,000.00 is **DENIED.**

7. The Clerk is directed to mark this case as **CLOSED.**

DONE AND ORDERED.

All Citations

Not Reported in F.Supp.2d, 2010 WL 1416979

Footnotes

1 By way of examples, the Court *again* directs Transamerica to *Abercrombie & Fitch Trading Co. v. Importrade USA, Inc.,* No. 07–23212–CIV (S.D.Fla. Aug. 18, 2009), and the analysis provided by the plaintiff in its motion for summary judgment regarding damages [D.E. 51], filed on July 10, 2009; and to *Nike, Inc. v. Lydner,* No. 6:07–cv–01654, 2008 WL 4426633, at *4 (M.D.Fla. Sep. 25, 2008).

EXHIBIT 38

2011 WL 2036686
Only the Westlaw citation is currently available.
United States District Court,
E.D. Pennsylvania.

WORLD ENTERTAINMENT, INC., and Carmen Tomassetti, Plaintiffs,
v.
Andrea BROWN, Grand Entertainment Productions, LLC, and Jim Di Renzo, Defendants.

Civil Action No. 09–5365.
|
May 20, 2011.

Attorneys and Law Firms

Michael J. Beautyman, Stephen L. Alvstad, Beautyman Associates, P.C., Flourtown, PA, for Plaintiffs.

Gregory R. Noonan, Walfish and Noonan, L.L.C., Norristown, PA, for Defendants.

MEMORANDUM

NORMA L. SHAPIRO, District Judge.

***1** This action was brought by World Entertainment, Inc., ("World Entertainment") and its CEO/President Carmen Tomassetti ("Tomassetti") against former employees Jim Di Renzo ("Di Renzo") and Andrea Brown ("Brown"), and her company, Grand Entertainment Productions, LLC ("Grand Entertainment"). Plaintiffs' 13–count complaint [1] alleged trademark infringement and unfair competition under the Lanham Act, as well as tortious interference, defamation, unjust enrichment and breach of contract arising from defendants' departure from plaintiffs' employ. Jurisdiction over the Lanham Act claims is conferred by 28 U.S.C. § 1331; [2] there is jurisdiction over the pendent state law claims under 28 U.S.C. § 1367(a). [3]

Defendants failed to appear, plead or otherwise defend against plaintiffs' validly served complaint; default judgment was entered against them under Fed. R. Civ. Pro. 55(a) on April 7, 2010. The court held a hearing on damages attended by both parties. Judgment will be entered in favor of plaintiffs for $429,997.30, and an injunction will issue enjoining defendants from use of CTO, plaintiffs' federally registered mark.

I. Background

Plaintiff World Entertainment, based in Radnor, Pennsylvania, is a production company providing music for weddings, Bar/Bat Mitzvahs and corporate events. CEO/President Tomassetti signs musicians to play with bands managed by World Entertainment. All bands managed by World Entertainment have the federally-registered mark CTO in their names, and many contain references to New York City locales. [4] Defendants Brown and Di Renzo, each having entered into a contract with World Entertainment and Tomassetti, were assigned to a band named CTO Tribeca. Brown's contract contained a limited non-compete clause on termination, as well as a non-solicitation clause and a clause prohibiting use of the mark CTO or reference to her association with World Entertainment without the company's express written consent. [5]

On January 20, 2008, Brown and Di Renzo entered into their own contract with an existing World Entertainment client. On September 28, 2008, World Entertainment and Brown agreed to terminate their contractual relationship after Brown performed with CTO Tribeca at events then under contract. In an email dated September 28, 2008, sent to Tomassetti as well as to several World Entertainment employees, Brown accused Tomassetti of committing a federal crime by accessing and using her personal email account. Brown then founded Grand Entertainment and a new band featuring former members of CTO Tribeca. To promote her new venture, Brown released a video featuring CTO Tribeca and the CTO mark over which she superimposed Tribeca Grand-the name of her new band.

Two weeks later, Brown sent a letter to 25 clients under contract with World Entertainment soliciting contracts with her new band. Plaintiffs' complaint alleges Brown's efforts resulted in the loss of seven clients. Tomassetti made several written demands on Brown to cease using the names CTO and Tribeca in performing, advertising and directing internet searches to Grand Entertainment's website. These demands had been ignored at the time of the evidentiary hearing to assess damages and equitable relief. Brown was then unable to produce Grand Entertainment's certificate of incorporation or articles of incorporation. Despite the court's request, Brown never produced any documentary evidence that Grand Entertainment was a duly incorporated limited liability company. It appears that Grand Entertainment is a sham corporation, with Brown as its owner. Under Pennsylvania law, an individual is responsible "for any liability-creating act performed behind the veil of a sham corporation. Where the court pierces the corporate veil, the owner is liable because the corporation is not a bona fide independent entity, therefore its acts are truly h[ers]." *Wicks v. Milzoco Builders, Inc.,* 503 Pa. 614, 470 A.2d 86, 90 (Pa.1983). Brown is liable for damages arising from the actions of Grand Entertainment.

II. Assessment of Damages

***2** The Federal Rules of Civil Procedure allow the court clerk to enter the default of a defendant who fails to plead or otherwise defend. Fed. R. Civ. Pro. 55(a), (b)(2). If there is a default, "the factual allegations of the complaint, except those relating to damages, will be taken as true." *Comdyne I, Inc. v. Corbin, Jr.,* 908 F.2d 1142, 1149 (3d Cir.1999) (citing 10 C. Wright, A. Miller & M. Kane, FEDERAL PRACTICE AND PROCEDURE § 2688 at 444 (2d ed.1983)). In the event of a default, plaintiff "may still be required to prove that he or she is entitled to the damages sought." *Comdyne I,* 908 F.2d at 1149. If the claim is not made for a sum certain, the court, in its discretion, may conduct a hearing in connection with the application for default judgment to determine the amount of damages or to establish the truth of any averment by evidence. Fed. R. Civ. Pro. 55(b)(2); *Durant v. Husband,* 28 F.3d 12, 14 (3d Cir.1994). Proof "in support of damage claims need not conform to a standard of mathematical exactness, but must be reasonably sufficient [that] there is a fair basis for calculation." *Masch v. Chouvalov,* 1997 WL 438473, at * 1 (E.D.Pa. July 24, 1997).

A. Damages Under the Lanham Act

Plaintiffs' common-law and state statutory trademark claims against defendants Brown and Grand Entertainment are subsumed within their Lanham Act claims. *See Tillery v. Leonard & Sciolla LLP,* 521 F.Supp.2d 346, 348 n. 1 (E.D.Pa.2007) ("The test for common law trademark infringement and unfair competition is essentially the same as the test for infringement and unfair competition under the Lanham Act.") (citation omitted); *Mercury Foam Corp. v. L & N Sales & Marketing,* 625 F.Supp. 87, 91 n. 1 (E.D.Pa.1985) ("Pennsylvania common law [of unfair competition] is identical to the Lanham Act, 15 U.S.C. § 1125, except the Lanham Act requires interstate commerce."). Under the Lanham Act, "when ... a violation under ... this title, shall have been established in any civil action arising under this chapter, the plaintiff shall be entitled ... subject to the principles of equity, to recover (1) defendant's profits, (2) any damages sustained by the plaintiff, and (3) the costs of the action." *See* 15 U.S.C. § 1117(a).

The court's "determination of a damage award is based on considerations of 'equity, reason, and pragmatism.' " *Sweetzel, Inc. v. Hawk Hill Cookies, Inc.,* 1996 WL 355357, at *3 (E.D.Pa. June 19, 1996) (citations omitted). At the damages hearing, plaintiffs offered documentary evidence of a $215,538.08 loss in average annual profits from the four years preceding defendants' departure to the three years following it. [6] Total claimed lost profit for the three year period was $646,614.24. Plaintiffs showed Brown's use of their protected trademarks in advertising and diverting internet traffic to Grand Entertainment's website through search engine phrase matching using Google Adwords and meta tags, but they did not offer any evidence suggesting the percentage of their business downturn caused by such infringement. Plaintiffs' reversal of fortunes coincided with a national recession, so their shrinking profit margins cannot be attributed solely to defendants' trademark infringement. Plaintiffs claim the infringement cost them over $200,000 in net profits annually, but, over the same three-year time period, Grand Entertainment's net profits were only $176,496.04.

***3** Our Court of Appeals has endorsed a five-factor test to determine whether disgorgement of the defendant's profits is appropriate. *Banjo Buddies, Inc. v. Renofsky,* 399 F.3d 168, 175 (3d Cir.2005). These factors "include, but are not limited to (1) whether the defendant had the intent to confuse or deceive, (2) whether sales have been diverted, (3) the adequacy of other remedies, (4) any unreasonable delay by the plaintiff in asserting his rights, (5) the public interest in making the misconduct unprofitable, and (6) whether it is a case of palming off." *Id.*

Here, disgorgement is appropriate because of the difficulty of calculating compensation based on plaintiffs' asserted damages. It is unclear what percentage of plaintiffs' lost profits is attributable to defendant's Lanham Act violations; any damages award based on plaintiffs' lost profits would be speculative. It is reasonable and equitable to assume the losses caused by Grand Entertainment did not exceed Grand Entertainment's profits. The court will award plaintiffs disgorgement of defendants' profits in the amount of $176,496.04, for violation of the Lanham Act by Brown and Grand Entertainment.

When the parties' products are in direct competition and the defendant's profits are derived from sales of the same products that account for the plaintiffs' lost profits, the plaintiffs cannot recover both the defendant's profits and their own lost profits. *Darius Int'l, Inc. v. Young,* 2008 WL 1820945, at *53 (E.D.Pa. Apr.23, 2008) (citing *Century Distilling Co. v. Continental Distilling Corp.,* 205 F.2d 140, 149 (3d Cir.1953)).

In addition to disgorgement of defendant's profits, plaintiffs are entitled under Section 1117(a) to recover the costs of their action. Plaintiffs will be awarded their documented costs of $18,540 .96.

The Lanham Act authorizes an award of attorney's fees to a prevailing party in "exceptional" cases. *See* 15 U.S.C. § 1117(a). Exceptional cases involve culpable conduct on the part of the losing party, "such as bad faith, fraud, malice, or knowing infringement." *Securacomm Consulting, Inc. v. Securacom, Inc.,* 224 F.3d 273, 280 (3d Cir.2000). Plaintiffs' complaint, the factual allegations of which must be accepted as true, alleged defendant Brown was aware plaintiffs owned the trademark "CTO."[7] *See Comdyne I,* 908 F.2d at 1149. Brown continued to infringe plaintiffs' trademark after receiving numerous cease and desist letters and the summons in this action. Brown's infringement continued even after the entry of default judgment against her; she was still violating the mark at the time of the damages hearing. This is an "exceptional" case of knowing infringement; plaintiffs will be awarded attorney's fees in the documented amount of $183,959 .30. Judgment of disgorgement of profits, costs and attorney's fees will be entered against Brown and Grand Entertainment.

B. Common Law Damages

Plaintiffs' common law claims can be divided into four categories: (1) unjust enrichment; 2) tortious interference; (3) libel; and (4) breach of contract. Since disgorgement of defendant's profits under the Lanham Act will be awarded, any recovery for unjust enrichment would be duplicative. *See Meyer–Chatfield v. Century Bus. Servicing, Inc.,* 732 F.Supp.2d 514, 523 (E.D.Pa.2010) ("A party is not permitted to recover twice under multiple theories of law for the same injury.").

(ii) Tortious Interference

***4** Plaintiffs' three counts alleging liability[8] for tortious interference claim damages of $200,000 arising from the loss of seven signed clients as a result of Brown's October 14, 2008 letter. Plaintiffs' complaint states the seven lost clients signed new contracts for performances by Tribeca Grand through Grand Entertainment.[9] The profits from those contracts are included in Grand Entertainment's 2008 profits disgorged to plaintiffs for violation of the Lanham Act. Any recovery by plaintiffs for tortious interference would be duplicative of their recovery under the Lanham Act. *See Meyer–Chatfield,* 732 F.Supp.2d at 523.

Di Renzo is not a named defendant on the Lanham Act claims, but was named in Counts IV and V of the complaint for tortiously interfering with one of the seven lost contracts. He is joint and severally liable for the damages resulting from the loss of that contract. Liability is joint and several when the plaintiff may recover from "one or more of the parties to such liability separately, or all of them together." *United States v. Gregg,* 226 F.3d 253, 260 (3d Cir.2000). An assertion of joint and several liability is "an assertion that *each* defendant is liable for the entire amount, although the plaintiff only recovers the entire amount once." *Golden ex rel. Golden v. Golden,* 382 F.3d 348, 555 n. 5 (3d Cir.2004) (emphasis in original).

Plaintiffs' complaint asserts the loss of seven contracts resulted in $200,000 in damages, or $28,571.43 per contract. While plaintiffs' factual allegations must be taken as true in light of the default judgment entered in their favor, allegations relating to damages must still be proven. *See Comdyne I,* 908 F.2d at 1149. Plaintiffs did not present any evidence at the damages hearing that these seven contracts would have netted $200,000 in profits, or $28,571.43 per performance. In plaintiffs' damages hearing memorandum, they allege CTO Tribeca performed 184 gigs between 2004 and 2007. Plaintiffs' Exhibit 17 states plaintiffs' net profits from CTO Tribeca for those years was $482,557. According to plaintiffs' allegations, CTO Tribeca profits averaged $2,622.59 per contract for the four years prior to defendants' tortious interference with seven contracts. If the seven contracts on which plaintiffs' tortious interference claims are premised would have grossed over ten times the profit normally obtained from a CTO Tribeca performance, there was no proof of this disparity provided at the damages hearing.

Defendant Di Renzo is joint and severally liable to plaintiffs for $3,123.55 under Counts IV and V of the complaint. The figure represents an award of $2,622.59 for the lost contract, plus interest of $500. [10]

(iii) Libel

Plaintiffs' complaint alleges libel against Brown arising from: 1) a September 28, 2008 email sent by Brown to Tomassetti and several World Entertainment employees stating Tomassetti "committed a FEDERAL crime by invading [Brown's] email and impersonating [her]"; and 2) a January 23, 2009 email sent by Brown to various World Entertainment employees saying "it's illegal as [sic] immoral for [Tomassetti] to take credit for [someone else's] work." Because Brown's first email accused Tomassetti of a crime, it is *per se* libelous. *See Joseph v. Scranton Times,* 959 A.2d 322, 344 (Pa.Super.Ct.2008). Brown's second email is also *per se* libelous, though it does not accuse Tomassetti of a specific crime. An accusation of criminality is libel *per se* "although the defamer does not 'charge any particular criminal offense either by name or description, if the words used imply some crime.' " *Clemente v. Espinosa,* 749 F.Supp. 672, 679–80 (E.D.Pa.1990) (citing Restatement (Second) of Torts § 571 Comment c (1977)).

***5** With words that are actionable *per se,* "only general damages, *i.e.,* proof that one's reputation was actually affected by defamation or that one suffered personal humiliation, or both, must be proven." *Id.* There is a right to recover punitive damages for libel when knowledge of a statement's falsity or reckless disregard for its truth is proven. *Sprague v. Walter,* 23 Pa. D. & C.3d 638, 643 (Pa.Com.Pl.1982).

At the damages hearing, plaintiff testified to his mental anguish resulting from Brown's emails. There was also testimony regarding damage to his reputation among his employees and colleagues. Brown testified that she believed in good faith Tomassetti violated a federal law by contacting World Entertainment clients through her corporate email account. Because it may be a federal crime to access and use someone else's email account without permission under certain circumstances, Brown's accusations did not recklessly disregard the truth. [11] Tomassetti will not be awarded punitive damages.

Plaintiff cites *Joseph,* 959 A.2d 322, in seeking a high damage award for Brown's libel. In *Joseph,* the plaintiff was accused of being involved in a money laundering, drug trafficking and prostitution ring in a series of eight libelous newspaper articles. *Id.* at 329–32. Here, Brown sent two emails to a small group of World Entertainment employees; the first email had only eight addressees. While the accusations contained in Brown's emails were humiliating and had the potential to damage Tomassetti's reputation, they were not as serious as accusations of drug trafficking and prostitution and cannot be compared to those in *Joseph.* Brown sent the offending emails only to World Entertainment employees, so it is difficult to credit Tomassetti's claim, unsupported by evidence, that he lost outside business as a result of their dissemination. Nonetheless, he clearly suffered mental anguish, and is entitled to $50,000 in compensatory damages.

(iv) Breach of Contract

Plaintiffs' complaint alleges Brown breached several clauses of her employment contract with World Entertainment, including the non-compete clause. According to plaintiffs' complaint, the only damages arising from Brown's breach are those resulting from the loss of the seven contracts discussed above. The lost profits plaintiffs seek to recover were disgorged under their Lanham Act claims; "a party is not permitted to recover twice under multiple theories of law for the same injury." *Meyer–Chatfield,* 732 F.Supp.2d at 523. *See also Starceski v. Westinghouse Elec. Corp.,* 54 F.3d 1089, 1102 (3d Cir.1995).

C. Injunctive Relief

The Lanham Act grants a court the "power to grant injunctions, according to the principles of equity and upon such terms as the court may deem reasonable, to prevent the violation of any right of the registrant of a mark registered in the Patent and Trademark Office." 15 U.S.C. § 1116(a). A permanent injunction is appropriate under the Lanham Act when plaintiff has shown: (1) irreparable injury; (2) that remedies available at law, such as monetary damages, are inadequate to compensate for that injury; (3) that, considering the balance of hardships between the plaintiff and defendant, a remedy in equity is warranted;

and (4) that the public interest would not be disserved by a permanent injunction. *See eBay, Inc. v. MercExchange, LLC,* 547 U.S. 388, 391, 126 S.Ct. 1837, 164 L.Ed.2d 641 (2006).

***6** Plaintiffs are entitled to an injunction with regard to the mark "CTO." Plaintiffs will suffer irreparable injury without the imposition of a permanent injunction. Without an injunction, defendants are likely to continue using the CTO mark in advertisements and create a likelihood of confusion. According to our Court of Appeals, "a finding of irreparable injury can be based on a finding of likelihood of confusion." *Shields v. Zuccarini,* 254 F.3d 476, 486 (3d Cir.2001).

Other remedies at law are inadequate to compensate for plaintiffs' injury, because they will not stop defendants' trademark infringement. *See Louis Vuitton Malletier, S.A. v. Veit,* 211 F.Supp.2d 567, 585 (E.D.Pa.2002). Damages from defendants continuing infringement would be difficult to determine. *See A.O. Smith Corp. v. Fed. Trade Comm'n,* 530 F.2d 515, 525 (3d Cir.1976) ("Irreparable injury is suffered where monetary damages are difficult to ascertain or are inadequate.") (internal citation omitted). Defaulting defendants did not claim any hardships resulting from their inability to use the CTO mark, and the public interest would not be disserved by a permanent injunction. Potential customers would be best served by eliminating dishonest and misleading advertising and solicitation practices by enjoining defendants' use of the CTO mark. Defendants will be permanently enjoined from using plaintiffs' mark CTO in connection with performing or advertising.

Plaintiffs also seek a permanent injunction enjoining defendants' use of any name that includes the word Tribeca. Brown renamed her band Tribeca Grand when reconstituting it under Grand Entertainment's management. Plaintiffs do not claim to have registered Tribeca as a protected mark, but the Lanham Act "extends protection to unregistered trademarks on the principle that unlicensed use of a designation serving the function of a registered mark constitutes false designation of origin and a false description or representation." *A.J. Canfield Co. v. Honickman,* 808 F.2d 291, 296 (3d Cir.1986). Ordinarily, an arbitrary name "automatically qualifies for trademark protection at least in those geographic and product areas in which the senior user applies it to its goods." *Id.* at 297.

Geographic terms, such as Tribeca, also may be afforded trademark protection when used arbitrarily. *Kraft Gen'l Foods, Inc. v. BC–USA, Inc.,* 840 F.Supp. 344, 349 (E.D.Pa.1993). *Kraft Foods* suggests three relevant questions to determine whether the use of a geographic term is arbitrary. First, if the mark is not the name of the place or region where the product is produced, it is likely arbitrary. *Id.* Neither CTO Tribeca nor Tribeca Grand originate from the Tribeca neighborhood of Manhattan. Second, a court should determine whether the geographic term was likely to imply to consumers that the term designates from where the named product came. *Id.* The name Tribeca does not suggest the band or its members are from Tribeca. Finally, *Kraft Foods* advises examining whether the place is noted for the particular goods bearing its name. *Id.* Tribeca is not noted for musical bands. Tribeca is entitled to trademark protection as an arbitrary geographic designation, but the balance of the equities weigh against enjoining defendants' use of the term on its own or as part of their band's name.

***7** The issuance of an injunction against use of Tribeca would impose a far greater hardship on defendants than its non-issuance would impose on plaintiffs. Much of the goodwill associated with the name Tribeca is due to defendants' efforts. According to plaintiffs' complaint, defendants Brown and Di Renzo joined CTO Tribeca in 2002. Brown was designated CTO Tribeca's band leader. By the time defendants left World Entertainment in the Fall of 2008, they had been members of CTO Tribeca for nearly six years, and performed in 184 gigs between 2004 and 2007 alone. Plaintiffs' complaint repeatedly states the importance of reputation in the music entertainment industry; CTO Tribeca's reputation was largely established by the efforts of defendants and other band members, all of whom apparently reformed under the name Tribeca Grand. Stripping those musicians of the goodwill and reputation they have built in the use of Tribeca divorced from the trademark CTO inflicts an undue burden on defendants and their band members, and is not necessary to protect plaintiffs.

An important factor in determining the likelihood of confusion is "the care taken by the consumer in purchasing the product." *Id.* at 350. Bands chosen to perform at important social functions are usually selected with great care. It is true that there are now two bands with the word Tribeca in their names available for engagement in the same geographic region,[12] but consumers can be expected to investigate each band before choosing which to engage. Any confusion caused by defendants' continued use of the term Tribeca in their band's name can be avoided through auditions, interviews and other background checks.

Enjoining defendants' continued use of the registered trademark CTO is sufficient to prevent defendants from competing unfairly with plaintiffs. Within thirty days of this order, defendants will file with the court and serve on plaintiffs a report in writing under oath setting forth in detail the manner and form in which they have complied with this injunction. *See* 15 U.S.C. § 1116(a).

III. Conclusion

The court will enter judgment against defendants Brown and Grand Entertainment calculated as follows:

1.	Lanham Act Damages	$ 176,496.04
2.	Costs	$ 18,540.96
3.	Attorney's Fees	$ 184,959.30
4.	Libel (compensatory & punitive)	$ 50,001.00
	Total:	$ 429,997.30

Defendant Di Renzo is joint and severally liable in the amount of $3,123.55. Defendants will be enjoined from using the mark CTO in performances and advertisements.

JUDGMENT ORDER

AND NOW, this 20th day of May, 2011, following a damages hearing at which both parties were heard, for the reasons stated in the accompanying memorandum, it is hereby **ORDERED** that:

1. Judgment is **ENTERED** in favor of the plaintiffs World Entertainment and Carmen Tomassetti and against defendants Brown and Grand Entertainment in the amount of $429,997.30;

***8** 2. Defendant Di Renzo is joint and severally liable under Counts IV and V of the complaint in the amount of $3,123.55

INJUNCTION

AND NOW, this 20th day May, 2011, following a damages hearing at which both parties were heard, for the reasons stated in the accompanying memorandum, a permanent injuntion against defendants and in favor of plaintiffs is **GRANTED,** and it is **ORDERED** that:

1. Defendants Brown, Grand Entertainment and Di Renzo, their respective associates, agents, servants, employees, officers, directors, representatives, successors, assigns and attorneys and all persons in active concert or participation with them, are enjoined and restrained from:

(a) representing by words or act, or by failure to act, that the performances and products, related services advertised, promoted, offered for sale, sold or distributed by defendants are affiliated, associated, authorized, sponsored, or endorsed by, or otherwise connected with plaintiffs, including, but not limited to, usage of the trademark CTO in any band name;

(b) using, publishing or causing the use or publication of any signs, stationery, slogans, internet domain names, website meta tags, advertisements, business cards, promotional publications, uniforms, designs, logos, forms or other printed or electronic matter or materials which use or display plaintiffs' CTO trademark, or colorable imitations or abbreviations thereof or any other confusingly similar term;

(c) making any statements or representation or acting in any manner which is likely to lead the public or individual members of the public to believe that any defendant is in any manner directly or indirectly associated with, or licensed, authorized, or approved by or on behalf of plaintiffs, or to believe that any products or services offered for sale by any defendant is associated with plaintiffs or is being offered by plaintiffs;

(d) using, in any market in connection with the music industry, as a trade name or as the name of a corporation or any business entity, any name that includes plaintiffs' trademark "CTO" or "cto," or any colorable imitations thereof, or any other confusingly similar term, and ordering defendants to cancel with all applicable and appropriate governmental agencies any corporate name, fictitious or trademark or service mark registration that includes either the word "CTO" or "cto," or colorable imitations thereof or any other confusingly similar term;

(e) committing any act that infringes plaintiffs' service marks or trade name or which constitutes unfair competition against plaintiffs or which constitutes a violation of 15 U.S.C. § 1125(a);

(f) any other conduct that causes, or is likely to cause, confusion, mistake, deception or misunderstanding as to the source affiliation, connection or association of defendants' products and related services;

(g) purchasing or using any form of advertising, including use of keywords or meta tags in internet advertising containing plaintiffs' CTO trademark, or any mark incorporating plaintiffs' CTO trademark, colorable imitations thereof or any confusingly similar mark; and

***9** (h) otherwise unfairly competing with plaintiffs in any manner.

2. Defendants shall file with this court and serve on plaintiffs, by **Monday, June 20, 2011,** a report in writing under oath setting forth in detail the manner and form in which defendants have complied with this permanent injunction;

3. Pursuant to 15 U.S.C. § 1118, defendants shall, by **Monday, May 30, 2011,** deliver up to plaintiffs for destruction all stationery, business cards, invoices, forms, advertisements, promotional materials, signs or any other materials bearing marks or symbols that infringe on plaintiffs' registered trademark, CTO.

All Citations

Not Reported in F.Supp.2d, 2011 WL 2036686

Footnotes

1 Plaintiffs' complaint alleges: Count I—Trademark Infringement under § 32 of the Lanham Act; Count II—Common Law Trademark Infringement; Count III—Tortious Interference with Contractual Relations; Count IV—Tortious Interference with Business Relations; Count V—Intentional Interference with Prospective Economic Advantage; Count VI—Unfair Competition under § 43A of the Lanham Act; Count VII—Common Law Unfair Competition; Count VIII–Trademark Dilution under § 43(c)of the Lanham Act; Count IX—Trademark Dilution under 54 Pa C.S.A. § 1124; Count X—False Designation of Origin and False Description of Goods under § 43(a) of the Lanham Act; Count XI—False and Defamatory Statements; Count XII—Unjust Enrichment; and Count XIII—Breach of Contract. Di Renzo is named only in Counts IV, V and XII.

2 28. U.S.C. § 1331 provides: "The district courts shall have original jurisdiction of all civil actions arising under the Constitution, laws, or treaties of the United States."

3 28 U.S.C. § 1367(a) provides: "[I]n any civil action of which the district courts have original jurisdiction, the district courts shall have supplemental jurisdiction over all other claims that are so related to claims in the action within such original jurisdiction that they form part of the same case or controversy under Article III of the United States Constitution."

4 Examples include CTO Grand Central, CTO Soho and CTO Park Avenue.

5 Di Renzo's contract was not offered in evidence.

6 For the years 2004–2007, plaintiffs' average annual net profits were $232,182.75. For the years 2008–2010 YTD, plaintiffs' average annual net profits were $16,644.67.

7 The complaint excerpts a letter dated October 14, 2008 sent to 25 World Entertainment clients by Brown stating "Carmen Tomassetti [is] the owner of the trademarked name [CTO T]ribeca."

8 The Pennsylvania Supreme Court recently held the giving of truthful information cannot support a claim for tortious interference with contractual relations. *See Walnut St. Assocs. v. Brokerage Concepts, Inc.,* 2011 WL 1817129, at *8 (Pa. May 13, 2011). According to the facts alleged in plaintiffs' complaint, defendants' tortious interference was accomplished through falsehoods. *Brokerage Concepts* has no bearing on the disposition of plaintiffs' tortious interference claims.

9 Count III alleges Tortious Interference with Contractual Relations against Brown and Grand Entertainment; Count IV alleges Tortious Interference with Business Relations Against Brown, Grand Entertainment and Di Renzo; Count V alleges Intentional Interference with Prospective Economic Advantage against Brown, Grand Entertainment and Di Renzo premised on their inducing a World Entertainment client to break a pre-existing contract with plaintiffs in order to sign a contract with defendants. It appears from plaintiffs' complaint that Counts IV and V, against Di Renzo, arise from his alleged interference with one of plaintiffs' seven lost clients.

10 Interest is calculated at the rate of six percent, compounded annually. *See* 41 P.S. § 202; *see also* *Graveley v. City of Philadelphia,* 1998 WL 47289, at *5 (Feb. 6 1998) ("It is in the discretion of the district court to award prejudgment interest on economic damages.").

11 *See* 18 U.S.C. § 1030.

12 At the damages hearing, plaintiffs asserted the formation of a new CTO Tribeca.

EXHIBIT 39

USDC SDNY
DOCUMENT
ELECTRONICALLY FILED
DOC #:
DATE FILED: 4/18/05

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

WEIGHTWATCHERS.COM, INC. and WEIGHT WATCHERS INTERNATIONAL, INC.,

Plaintiffs,

-against-

DIET PATCH, INC.,
ICON HEALTH & FITNESS, INC.,
ECOMMERCE TRANSACTIONS, LLC,
BOEHM-RITTER, INC.,
CURB YOUR CRAVINGS, LLC,
SCIENCE OF BETTER LIVING, LLC,
NUTRISYSTEM, INC.,
OREXIS, INC.,
ORIGINAL DIET PATCH, INC.,
TRIMLIFE, INC.,
BRIDGEPORT LABORATORIES, LLC,
WESTERN HOLDINGS, LLC
and
DOES 1 THROUGH 10,

Defendants.

04 CV 4053 (LAP)

PERMANENT INJUNCTION

PERMANENT INJUNCTION

This matter is before the Court on the joint Consent Motion for a Permanent Injunction of WeightWatchers.com, Inc. and Weight Watchers International, Inc. (collectively, "Plaintiffs") and defendant Science of Better Living, LLC ("Defendant").

Plaintiffs commenced the above-captioned civil action against Defendant, among other parties. Without admitting any factual or legal allegation or claim alleged, Plaintiffs and Defendant have consented to the entry of the following permanent injunction with respect to all claims asserted by Plaintiffs against Defendant in this action.

Therefore, it is hereby ORDERED that the motion is GRANTED, and it is hereby further ORDERED that

A. Defendant, its agents, servants, employees, officers and all other persons in active concert or participation with it, are permanently enjoined from delivering, or causing any other entity to deliver, pop-up advertisements, pop-under advertisements or other contextual advertisements (including embedded hypertext links) to Internet users while viewing, or as a result of viewing, Plaintiffs' website located at http://www.weightwatchers.com or other websites owned or operated by Plaintiffs, including their affiliates, subsidiaries, licensees, and franchisees (collectively, the "Weight Watchers Websites"), and doing any of the following by such delivery:

1. altering or modifying, or causing any other entity to alter or modify, any copy of the Weight Watchers Websites in any way, including their appearance to the user or how they are displayed to the user;

2. infringing, or causing any other entity to infringe, Plaintiffs' copyrights in the Weight Watchers Websites;

3. making any designations of origin, descriptions, representations or suggestions that Plaintiffs are the source, sponsor, or in any way affiliated with Defendant's products and services;

4. acting in any manner which causes Defendant's products, services, website, or advertisements to be in any way associated with Plaintiffs' products, services, or websites, including but not limited

to, any means of marketing, advertising, or agreement with third parties likely to induce the belief that Defendant or Defendant's websites, advertisements, products or services are in any way associated, connected, or affiliated with, or licensed or authorized by Plaintiffs;

5. infringing, or causing any other entity to infringe, Plaintiffs' trademark and/or service mark rights as used on the Weight Watchers Websites;

6. using any URL owned by or registered to Plaintiffs (including, without limitation, www.weightwatchers.com, www.weightwatchers.ca, www.weightwatchers.co.uk, and www.weightwatchers.de) or Plaintiffs' trademarks as a trigger for the delivery of advertisements; or

7. acting, or causing another entity to act, in any manner likely to dilute, tarnish, or blur the distinctiveness of the WEIGHT WATCHERS marks.

Defendant will modify any and all insertion orders and any and all other forms or agreements which Defendant, its principals and employees may utilize to contract for, or to authorize the placement of, Defendant's Internet advertisements, so as to prohibit the placement of Defendant's Internet advertisements as required by Section A of this Order. Defendant will require any third parties acting on behalf of Defendant, its principals and employees to prohibit placement of Defendant's Internet advertisements as required by Section A of this Order. The parties agree that if any of the foregoing in this Section A occurs as a result of action of a third party that is acting without the knowledge of the Defendant or that of its principals or employees, then such occurrence shall not be a violation of this Order, provided that once such occurrence is brought to the attention of Defendant, the Defendant shall immediately take all reasonably necessary steps within its power to stop such occurrence.

B. Defendant shall deliver to counsel for Plaintiffs within ten (10) business days of the date of this Order, a certified check made payable to WeightWatchers.com, Inc. in the amount specified in the Settlement Agreement.

C. Plaintiffs' Complaint against Defendant is withdrawn, all claims asserted Defendant in the above-referenced proceeding, in all other respects, are dismissed and each party shall bear its own costs. Plaintiffs' Complaint and claims against the other defendants named in the Complaint are not affected by this Order.

SO ORDERED.

Dated: April 15, 2005

Loretta A Preska

The Honorable Loretta A. Preska
United States District Judge

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EXHIBIT 40

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF MARYLAND

YOUNG AGAIN PRODUCTS, INC.	:	
Plaintiff / Counter-Defendant,	:	
vs.	:	
JOHN ACORD a/k/a JOHN LIVINGSTON, et al.	:	**Civil No: RWT 03CV2441**
Defendants / Counter-Plaintiffs.	:	
JOHN ACORD a/k/a JOHN LIVINGSTON, et al.	:	
Third-Party Plaintiff,	:	
vs.	:	
ROGER MASON and IVEY MASON	:	
Third-Party Defendants	:	

ORDER

Upon consideration of Plaintiff and Third Party Defendants' Motion for Contempt and Sanctions Against Defendant John Acord For Failure To Pay Rule 11 Sanctions In Violation of This Court's Order of November 17, 2008 [Paper No. 258], Plaintiff Young Again Products, Inc.'s Motions in Limine [Paper No. 247], Plaintiff's Motion For Entry of Default Judgment Against Defendant John Acord Or In the Alternative For Summary Judgment Against Defendant John Acord [Paper No. 256], and Plaintiff's Motion For Entry of Default Judgment Against Defendant Marcella Ortega Or In the Alternative For Summary Judgment Against Defendant Marcella Ortega [Paper No. 259], the responses and replies thereto, and the arguments of counsel and Mr. Acord (who participated by telephone), presented at the hearing conducted before the undersigned today, it is, for the reasons stated on the record, this 24th day of March, 2009, by the United States District Court for the District of Maryland,

ORDERED, that Plaintiff and Third Party Defendants' Motion for Contempt and Sanctions Against Defendant John Acord For Failure To Pay Rule 11 Sanctions In Violation of This Court's Order of November 17, 2008 [Paper No. 258] is **GRANTED**; and it is further

ORDERED, that within thirty (30) days of this Order, Defendant John Acord shall make full payment of the sanctions imposed against him and in favor of the Plaintiffs on November 17, 2008, in the amount of **$24,357**. If Defendant Acord is unable to pay in full, he shall submit to the Court within thirty (30) days of this Order a highly detailed affidavit concerning the financial circumstances that render him unable to pay. This affidavit shall include information about *any* assets, whether in his own or a third party's name, that Defendant Acord has had access to or use of in the past five (5) years, as well as any transfers of assets Defendant Acord has made to others in the past five (5) years; and it is further

ORDERED, that Plaintiff Young Again Products, Inc.'s Motions in Limine [Paper No. 247] are **DENIED AS MOOT** as to Supplement Spot, LLC, and **GRANTED AS UNOPPOSED** as to Defendants Acord and Ortega; and it is further

ORDERED, that Plaintiff's Motion For Entry of Default Judgment Against Defendant John Acord Or In the Alternative For Summary Judgment Against Defendant John Acord [Paper No. 256] is **GRANTED**, and Defendant Acord is adjudged to be in default; and it is further

ORDERED, that Plaintiff's Motion For Entry of Default Judgment Against Defendant Marcella Ortega Or In the Alternative For Summary Judgment Against Defendant Marcella Ortega [Paper No. 259] is **GRANTED,** and Defendant Ortega is adjudged to be in default**;** and it is further

ORDERED, that a default judgment in the amount of three million, eight hundred thirty-two thousand, eight hundred thirty-two dollars and forty cents (**$3,832,832.40**) shall be entered for the Plaintiff, Young Again Products, Inc. against Defendants John Acord and Marcella Ortega; and it is further

ORDERED, that Young Again Products, Inc. (YAP) is the owner of all right and title in the valid trademarks Arthritis Free®, Better Cholesterol®, Beta Prostate®, Better Immunity®, Better Prostate®, Fat Absorb®, German Zyme™, Miracle Cream™, The Estrogen Alternative™, The Osteoporosis Answer®, Total Minerals™, Total Vitamins™, Skin Cure®, and Vein Free®; and it is further

ORDERED, that Defendants Acord and Ortega have willfully infringed YAP's copyrights and trademarks as set forth in YAP's Supplemental Complaint; and it is further

ORDERED, that Defendants Acord and Ortega be permanently enjoined from using the designations and/or names Maximum Prostate, Arthritis Relief, Healthy Cholesterol, Fat Trapper, Skin Care, and Multi-Minerals, which are confusingly similar to YAP's trademarks, or any other confusingly similar designation alone or in combination with other words, as a trademark, trade name, or service mark, component or otherwise, or otherwise referencing the names on websites and those of its affiliates, placing the names in its HTML codes and metatags, and purchasing the names in pay-for-placement or pay-for-rank search engine advertising; and it is further

ORDERED, that all of Defendant Acord's counter and third party claims are **DISMISSED WITH PREJUDICE**; and it is further

ORDERED, that the jury trial previously scheduled in this case for June 16, 17, 18, 19, 23, and 24, 2009 is **CONTINUED**; and it is further

ORDERED, that the Clerk is directed to **CLOSE** the case.

/s/
ROGER W. TITUS
UNITED STATES DISTRICT JUDGE

EXHIBIT 41

EXHIBIT 41

SUBMITTED *IN CAMERA*

<u>Notice of Electronic Service</u>

I hereby certify that on February 07, 2017, I filed an electronic copy of the foregoing RESPONDENT'S OPPOSITION TO COMPLAINT COUNSEL'S MOTION TO BAR PRESENTATION OF TESTIMONY, with:

D. Michael Chappell
Chief Administrative Law Judge
600 Pennsylvania Ave., NW
Suite 110
Washington, DC, 20580

Donald Clark
600 Pennsylvania Ave., NW
Suite 172
Washington, DC, 20580

I hereby certify that on February 07, 2017, I served via E-Service an electronic copy of the foregoing RESPONDENT'S OPPOSITION TO COMPLAINT COUNSEL'S MOTION TO BAR PRESENTATION OF TESTIMONY, upon:

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