

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

CIVIL MINUTES - GENERAL

Case No.	CV 12-5706-GW(SHx)	Date	September 20, 2012
Title	<i>Home Decor Center, Inc. v. Google, Inc., et al</i>		

Present: The Honorable GEORGE H. WU, UNITED STATES DISTRICT JUDGE

Kane Tien

Kathy Stride

Deputy Clerk

Court Reporter / Recorder

Tape No.

Attorneys Present for Plaintiffs:

Attorneys Present for Defendants:

Christopher K. Jafari

Kevin L. Vick

PROCEEDINGS: DEFENDANT GOOGLE, INC.'S MOTION TO DISMISS THE FIRST AMENDED COMPLAINT (filed 08/10/12)

Court hears oral argument. The Tentative circulated and attached hereto, is adopted as the Court's final ruling. The Court **GRANTS IN PART / DENIES IN PART** defendant Google, Inc.'s motion to dismiss the first amended complaint, with two weeks leave to amend the claims as stated on the record.

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Initials of Preparer KTI

Home Decor Center, Inc. v. Google, Inc., et al., Case No. CV-12-5706
Tentative Ruling on Motion to Dismiss

I. Background

Plaintiff Home Decor Center (“Plaintiff”) filed suit in state court against Google, Inc. (“Google”) and Home Depot, Inc. (“Home Depot”) (collectively “Defendants”). *See generally* Compl., Docket No. 1, Exh. A. Defendant timely removed. *Id.* Plaintiff filed a First Amended Complaint (“FAC”) on July 25, 2012 (Docket No. 16), and now pleads nine causes of action: (1) federal trademark infringement and unfair competition under 15 U.S.C. § 1125(a); (2) unfair competition under the Lanham Act; (3) unfair business practices under Cal. Bus. & Prof. Code §§ 17200 (“UCL”), *et seq.*; (4) trademark infringement under the Lanham Act; (5) contributory trademark infringement under the Lanham Act; (6) vicarious trademark infringement under the Lanham Act; (7) injunctive relief; (8) interference with prospective contractual relations; and (9) “passing off” under the Lanham Act. *See generally* FAC.

Customers can find Plaintiff’s website, www.HomeDecorCenter.com, through Google’s search engine. FAC ¶ 11. Plaintiff also utilized Google’s “AdWords” service, through which Plaintiff paid Google a sum of money “for its . . . website to be more accessible to consumers[.]” FAC ¶ 12.¹ In September 2011, Plaintiff allegedly received a high volume of customer complaints, and Plaintiff’s sales allegedly decreased by sixty percent. FAC ¶ 13. Plaintiff searched for its own domain name (*i.e.*, www.homedecorcenter.com, in contrast to its own name, simply Home Decor Center) on Google’s search engine, and discovered an advertisement for www.HomeDecorators.com, a site owned by Defendant Home Depot, which claimed to link to “The Official Website for HomeDecorCenter.com,” Plaintiff’s site. The ad then displayed the URL www.homedecorators.com, which is not Plaintiff’s website, but which is allegedly owned by Defendant Home Depot. FAC ¶¶ 15-17. In other words, an ad Defendant Home Depot placed on Google, for Defendant Home Depot’s business, purports in some respects to be an ad for Plaintiff’s business, but then *links to Defendant’s* business.²

Plaintiff alleges that as a result of this erroneously linked advertisement, consumers seeking to access Plaintiff’s website were directed to Defendant Home Depot’s website, and when they received substandard service, accordingly believed that such service had been provided by Plaintiff. FAC ¶¶ 19-20. Plaintiff claims it has been forced to make price

¹Neither party provides a clear or detailed description of the nature of the AdWords program. The Court would request further elucidation as to that point at the hearing. However a description of the program is found in *Rescuecom v. Google Inc.*, 562 F.3d 123, 125-26 (2d Cir. 2009): “AdWords is Google’s program through which advertisers purchase terms (or keywords). When entered as a search term, the keyword triggers the appearance of the advertiser’s ad and link. An advertiser’s purchase of a particular term causes the advertiser’s ad and link to be displayed on the user’s screen whenever a searcher launches a Google search based on the purchased search term. Advertisers pay Google based on the number of times Internet users ‘click’ on the advertisement, so as to link to the advertiser’s website.”

² Plaintiff does not appear to allege that Google, in posting one of Plaintiff’s own ads, incorrectly linked it to Defendant’s site. However, the Court would confirm this point with the parties at the hearing.

adjustments and grant refunds to customers who were misdirected to Home Depot's website via the Google advertisement. FAC ¶ 21. In early 2012, Plaintiff mailed a cease and desist letter to both Defendants, putting them on notice that Plaintiff is the owner of the registered trademark "HOME DECOR CENTER" (USPTO Serial No. 85524323). FAC ¶¶ 25-27, Exh. C. Plaintiff also alleges it owns the registered domain name www.homedecorcenter.com. FAC ¶ 9.

Before the Court is Defendant Google's motion to dismiss the FAC. Docket No. 19. Defendant Home Depot has joined in the motion. Docket No. 20.

II. Legal Standard

Plaintiffs in federal court are required to give only "a short and plain statement of the claim showing that the pleader is entitled to relief." Fed. R. Civ. P. 8(a)(2). Under Rule 12(b)(6), a defendant may move to dismiss for failure to state a claim upon which relief can be granted. Fed. R. Civ. P. 12(b)(6). A complaint may be dismissed for failure to state a claim upon which relief can be granted for one of two reasons: (1) lack of a cognizable legal theory or (2) insufficient facts under a cognizable legal theory. *Bell Atl. Corp. v. Twombly*, 550 U.S. 544, 555 (2007). *See also Mendiondo v. Centinela Hosp. Med. Ctr.*, 521 F.3d 1097, 1104 (9th Cir. 2008) ("Dismissal under Rule 12(b)(6) is appropriate only where the complaint lacks a cognizable legal theory or sufficient facts to support a cognizable legal theory."). A motion to dismiss should be granted if the complaint does not proffer enough facts to state a claim for relief that is plausible on its face. *See Twombly*, 550 U.S. at 558-59; *see also William O. Gilley Enters., Inc. v. Atl. Richfield Co.*, 588 F.3d 659, 667 (9th Cir. 2009) (confirming that *Twombly* pleading requirements "apply in all civil cases"). "[W]here the well-pleaded facts do not permit the court to infer more than the mere possibility of misconduct, the complaint has alleged - but it has not 'show[n]' - 'that the pleader is entitled to relief.'" *Ashcroft v. Iqbal*, 556 U.S. 662, 679 (2009) (quoting Fed. R. Civ. P. 8(a)(2)).

In deciding a 12(b)(6) motion, the court is limited to the allegations on the face of the complaint (including documents attached thereto), matters which are properly judicially noticeable and other extrinsic documents when "the plaintiff's claim depends on the contents of a document, the defendant attaches the document to its motion to dismiss, and the parties do not dispute the authenticity of the document, even though the plaintiff does not explicitly allege the contents of that document in the complaint." *Knievel v. ESPN*, 393 F.3d 1068, 1076 (9th Cir. 2005). The Court must construe the complaint in the light most favorable to the plaintiff and must accept all factual allegations as true. *Cahill v. Liberty Mutual Ins. Co.*, 80 F.3d 336, 337-38 (9th Cir. 1996). The Court must also accept as true all reasonable inferences to be drawn from the material allegations in the complaint. *See Barker v. Riverside Cnty. Office of Ed.*, 584 F.3d 821, 824 (9th Cir. 2009); *Pareto v. F.D.I.C.*, 139 F.3d 696, 699 (9th Cir. 1998). Conclusory statements, unlike proper factual allegations, are not entitled to a presumption of truth. *See Iqbal*, 556 U.S. at 681; *Moss v. U.S. Secret Serv.*, 572 F.3d 962, 969 (9th Cir. 2009).

III. Analysis

A. Communications Decency Act

Google argues that the state law claims (namely the UCL, injunctive relief and interference of contractual relations causes of action) all fail as a matter of law because of the

broad grant of immunity provided to internet services such as itself by Section 230 of the Communications Decency Act (“Section 230”), 47 U.S.C. § 230(c)(1).³ Section 230 provides: “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.” 47 U.S.C. § 230(c)(1). The Ninth Circuit has explained the purpose of Section 230 as applied to an “information content provider” such as Google as follows:

The specific provision at issue here, § 230(c)(1), overrides the traditional treatment of publishers, distributors, and speakers under statutory and common law . . . Congress wanted to encourage the unfettered and unregulated development of free speech on the Internet, and to promote the development of e-commerce . . . Making interactive computer services and their users liable for the speech of third parties would severely restrict the information available on the Internet.

Batzel v. Smith, 333 F.3d 1018, 1027-28 (9th Cir. 2003) (applying Section 230 to bar internet services provider’s liability for defamation). *See also Carafano v. Metrosplash.com, Inc.*, 339 F.3d 1119, 1123 (9th Cir. 2003) (“the *Batzel* decision joined the consensus developing across other courts of appeals that § 230(c) provides broad immunity for publishing content provided primarily by third parties”). Accordingly, courts have granted motions to dismiss claims against Google which attempt to impose liability for claims arising out of third parties’ use of the AdWords program. *See, e.g., Jurin v. Google, Inc.*, 695 F. Supp. 2d 1117, 1122-1123 (E.D. Cal. 2010) (“[Google’s] AdWords program simply allows competitors to post their digital fliers . . . [Google] is therefore immunized from liability [under Section 230]”); *Goddard v. Google, Inc.*, 640 F. Supp. 2d 1193, 1198-1199 (N.D. Cal. 2009) (holding that Google merited Section 230 immunity because “Google’s AdWords program was [not] anything other than ‘a framework that could be utilized for proper or improper purposes’”) (internal citations omitted); *Gentry v. eBay, Inc.*, 99 Cal. App. 4th 816, 830 (2002) (affirming trial court’s sustaining a demurrer to plaintiff’s claims against defendant eBay because “Section 230(c)(1) [interactive service providers] and their users from causes of action asserted by persons alleging harm caused by *content provided by a third party*”) (emphasis added). Here, exactly as in *Jurin* and *Goddard*, Plaintiff’s claims arise out of an ad created by Home Depot via the AdWords program. There can be little question that Section 230 thus applies to bar Plaintiff’s *state* law claims as against Google (only).

Plaintiff attempts to get around this seemingly insurmountable bar by asserting in its opposition papers that Google and Home Depot “jointly created” the ad, as opposed to merely authorizing or posting the ad the Home Depot created. Specifically, Plaintiff in briefing asserts that Google “decided to improperly title” the offending ad. Docket No. 22 at 6. However, the FAC itself contains no such allegations, or any claim that Google “created” the ad, and as such the Court may not assess whether *those* allegations could withstand dismissal in the face of

³While it does not expressly state as much, presumably Google does not evoke Section 230 to defeat Plaintiff’s trademark claims because the statute expressly provides: “Nothing in this section shall be construed to limit or expand any law pertaining to intellectual property.” 47 U.S.C. § 230(e)(2).

Section 230. See *Cordell v. Tilton*, 515 F. Supp. 2d 1114, 1128 (S.D. Cal. 2007) (“The focus of any Rule 12(b)(6) dismissal . . . is the complaint. This precludes the consideration of new allegations that may be raised in plaintiff’s opposition to a motion to dismiss brought pursuant to Rule 12(b)(6)”) (internal citations omitted). Instead, the FAC alleges merely that Google “individually authorized” the ads and that the ads generate profit for Google. FAC ¶ 22. But the caselaw clearly indicates that neither Google’s alleged individual authorization of each ad through the AdWords program, nor allegations that Google profited from the Home Depot’s ad, permit Plaintiff’s claims against Google to escape Section 230’s broad grant of immunity. See *Goddard*, 640 F. Supp. 2d at 1198 (“Plaintiff’s allegations [that Google authorized the posting of the ads], if true, would not establish that Google did anything to encourage the posting of false or misleading AdWords”); *Gentry*, 99 Cal. App. 4th at 822 (upholding Section 230 immunity even though defendant eBay garnered “millions of dollars in profits” from the third party content giving rise to the claims).

The Court would permit Plaintiff an opportunity to amend the Complaint so as to allege what now appears to be its theory of the case: that Google not only served as the blank slate for *Home Depot’s* ad, but also played some role in the *creation of the content* of the ad.⁴ See *Goddard*, 640 F. Supp. 2d at 1195-96 (dismissing Plaintiff’s claims with prejudice on second motion to dismiss after, in granting first motion to dismiss, “Plaintiff was granted leave to amend, with express instructions that she attempt to ‘establish Google’s involvement in ‘creating or developing’ the AdWords, either ‘in whole or in part,’ so as to avoid CDA immunity”)(internal citations and quotations omitted).

The Court would discuss the matter of amendment at the hearing, but would likely GRANT WITHOUT PREJUDICE Defendant Google’s motion to dismiss the UCL, injunctive relief and interference of contractual relations causes of action *as to Defendant Google only*, due to the operation of Section 230.⁵

B. Trademark Infringement Allegations

Any claim for trademark infringement must obviously include an allegation that the Defendant used that trademark. See 15 U.S.C. § 1125(a). Google argues that Plaintiff’s trademark claims fail at this most basic level, at least as against Google, because Plaintiff’s mark (all parties assuming only for purposes of the instant motion that it is valid) is for the phrase “HOME DECOR CENTER” whereas Google’s alleged use of it is only the use of “a portion of the URL for Plaintiff’s website, www.homedecorcenter.com.” Docket No 19 at 10; FAC ¶ 16. In other words, Plaintiff has not alleged that if one searches for the keyword “Home Decor Center,” then the offending ad comes up, but only if one searches for the keyword “www.homedecorcenter.com.” Google has cited no cases to support the notion that just because the mark forms part of a larger phrase (or URL), that there has been no “use” of the trademark. Google

⁴Of course, Plaintiff may only plead allegations if doing so is consistent with the rules of professional conduct and Fed. R. Civ. P. 11.

⁵Given the finding that Google is shielded from liability as to the state law claims due to Section 230, the Court need not address its alternative arguments as to why the state law claims fail as a matter of law as against Google. See Docket No. 19 at 12-13.

notes that similar cases involving trademark claims based on the AdWords program generally allege that the keyword was the actual trademark, not a domain name including the mark, citing as an example *Rescuecom Corp. v. Google Inc.*, 562 F.3d 123, 124 (2d Cir. 2009). Yet that is not dispositive of the matter; Google has not provided convincing argument or authority that would persuade this Court to find that because the purported trademark use occurs within a website URL, that it does not constitute “use” for purposes of trademark infringement. Thus the Court would DENY Google’s motion to dismiss the trademark claims (in their various iterations).

C. Injunctive Relief

Defendant Google argues that Plaintiff’s cause of action entitled “injunctive relief” should be dismissed because it is well established that injunctive relief is a remedy, not cause of action; Google is correct. See *Marlin v. AIMCO Venezia*, 154 Cal. App. 4th 154, 162 (2007); *McDowell v. Watson*, 59 Cal. App. 4th 1155, 1159 (1997) (“Injunctive relief is a remedy and not, in itself, a cause of action”) (quotation and citation omitted). Moreover, Plaintiff effectively concedes the point, noting that “Injunctive Relief may not necessarily be a cause of action on its own” yet arguing that it may merit the remedy of injunctive relief as to its other claims. Docket No. 22 at 11. The Court would GRANT WITH PREJUDICE Defendant’s motion to dismiss the claim for injunctive relief, though the Court’s so holding will not effect Plaintiff’s ability to seek injunctive relief as to its other claims as would otherwise be permitted.

D. Lanham Act Claims

Google seeks to dismiss Plaintiff’s second, fourth and ninth claims under the Lanham Act (for infringement, unfair competition and “passing off”), because they are “redundant of Plaintiff’s first claim for federal common law trademark infringement and unfair competition.” Docket No. 19 at 13. Plaintiff fails to respond to this argument by distinguishing the claims. The Court would discuss this matter with the parties at the hearing; on the one hand, Google has not cited authority dismissing claims for reason of duplicativeness in this context, but on the other hand, Plaintiff has made no effort to show how claims two, four and nine are distinct from his first claim, either on a legal or factual basis. If Plaintiff fails to argue at the hearing that the claims are in fact distinct, it might serve the interests of all parties to “clean up” the FAC, as it were, by granting the motion to dismiss to eliminate duplicative claims and requiring Plaintiff to submit an amended complaint pleading each factually and legally identical claim only once.

E. Effect of this Order Upon Defendant Home Depot

Defendant Home Depot has joined in Google’s motion. Docket No. 20. However, the Court would find that the arguments proffered by Google do not have any bearing on whether the state law claims this Court has dismissed as against Google should also be dismissed as against Home Depot, with the exception of the injunctive relief claim that Plaintiff concedes should be dismissed as against all parties. In other words, neither Defendant has argued that Home Depot merits Section 230 immunity. Further, the alternative arguments Google raised with respect to the state law claims, not considered by the Court (*see* footnote 5, *supra*) were similarly focused on the deficiency of the pleading with respect to Google, not Home Depot. See Docket No. 19 at 11-13. Thus, in the absence of any motion to dismiss the FAC filed by Home Depot, at present

the case will move forward against Home Depot as to all causes of action except the now-dismissed injunctive relief cause of action. The Court would inquire of Defendant Home Depot at the hearing as to whether it has any thoughts on this aspect of the matter.

F. Requests for Judicial Notice

Both parties requested that the Court take judicial notice of documents related to Plaintiff's filings with the USPTO with regard to the trademark at issue in this case. Docket Nos. 21, 23. Neither party has objected to the other's request for judicial notice, and such documents are properly the subject of judicial notice. *See, e.g., Pollution Denim & Co. v. Pollution Clothing Co.*, 547 F. Supp. 2d 1132, 1136 n.13 (taking judicial notice of "online records maintained by the United States Patent and Trademark Office"). While the Court would GRANT both requests, the Court notes that such documents are related primarily to the validity of Plaintiff's mark, which Google did not squarely address in this motion. *See* Docket No. 19 at 11 n.8 ("*Should this case proceed past the pleadings stage*, Google intends to challenge the validity of Plaintiff's purported "Home Decor Center" mark.") (emphasis added). Thus, no portion of this Order relied on the judicially noticed documents.

IV. Conclusion

The Court would GRANT, likely WITHOUT PREJUDICE though perhaps WITH PREJUDICE, Defendant Google's motion to dismiss the UCL, interference of contractual relations causes of action AS AGAINST GOOGLE ONLY. The Court would GRANT WITH PREJUDICE Defendant Google's motion to dismiss the injunctive relief claim AS AGAINST ALL DEFENDANTS. The Court would DENY Defendant Google's motion to dismiss the remaining claims.