

No. 20-10936

In the United States Court of Appeals  
for the Fifth Circuit

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Jim S. Adler, P.C.; Jim Adler,

Plaintiffs – Appellants

v.

McNeil Consultants, L.L.C., doing business as Accident Injury Legal Center;  
Lauren Von McNeil; Quintessa Marketing, L.L.C., doing business as  
Accident Injury Legal Center,

Defendants – Appellees

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On Appeal from the United States District Court  
for the Northern District of Texas, Dallas Division  
Civil Action No. 3:19-CV-2025-K-BN

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### CERTIFICATE OF INTERESTED PERSONS

The undersigned counsel of record certifies that the following listed persons and entities as described in the fourth sentence of Rule 28.2.1 have an interest in the outcome of this case. These representations are made in order that the judges of this court may evaluate possible disqualification or recusal.

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### STATEMENT CONCERNING ORAL ARGUMENT

Adler believes oral argument would be helpful to the Court to fully understand and properly resolve this appeal. Simply understood, this case rests on the Court's resolution of whether a trademark holder can plausibly allege a likelihood of confusion arising from a competitor's use of his marks for online mobile keyword search engine ads as part of a bait-and-switch scheme. The district court created a *per se* rule—allowing claims for confusion to be alleged when the mark is visible to consumers in the ad itself, but not otherwise.<sup>1</sup> As set forth herein, the ruling is contrary to existing Fifth Circuit trademark jurisprudence. Adler believes the technologies involved in the dispute, confusion over the terms used by the parties in briefing, and the lack of any hearings below contributed to the outcome. Despite the best efforts at briefing by both sides, questions will likely remain. Oral argument would provide the Court with an opportunity to resolve any questions raised by the parties' briefs.

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<sup>1</sup> Compare ROA.189-206, with ROA.238-61.

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## STATEMENT REGARDING JURISDICTION

This is an action for trademark infringement and unfair competition brought by Jim Adler and Jim S. Alder, P.C. (collectively “Adler”) against Lauren Von McNeil, McNeil Consultants, LLC, and Quintessa Marketing, LLC (collectively “McNeil”), under the Trademark Act of 1946, 15 U.S.C. §1051 *et seq.* (“Lanham Act”), and related state law claims. Adler alleges McNeil is using Adler’s registered marks as keywords for online search engine ads as part of a bait-and-switch scheme to confuse consumers searching for Adler on mobile devices into instead calling McNeil by mistake.<sup>2</sup> The district court had jurisdiction over Adler’s claims under the 15 U.S.C. §1121, and 28 U.S.C. §1331 and §1338, and supplemental jurisdiction under 28 U.S.C. §1367(a).

On August 29, 2020, the court entered a final order granting McNeil’s Rule 12(b)(6) motion to dismiss, believing Adler could not, as a matter of law, state a claim for infringement and unfair competition because McNeil does not include Adler’s marks in the text of ads visible to consumers. The court denied as futile Adler’s motion to amend and declined to exercise supplemental jurisdiction over the state law claims. The same day, the court entered a final judgment as to all parties and claims.<sup>3</sup> Adler timely appealed on September 10, 2020.<sup>4</sup> The Court has jurisdiction, under 28 U.S.C. §1291, to review whether Adler sufficiently pleaded claims under the Lanham Act.

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<sup>2</sup> ROA.84-101.

<sup>3</sup> ROA.307-09.

<sup>4</sup> ROA.310.

### ISSUES PRESENTED FOR REVIEW

1. Does Adler state a plausible claim for trademark infringement and unfair competition against McNeil based on her intentional use of his registered marks in an online bait-and-switch scheme?
2. Can someone who using a competitor's marks as online keywords for search engine ads as part of bait-and-switch scheme shield their conduct from a trademark infringement claim by not visibly incorporating the mark in the text of the ad?
3. Should the question of whether a competitor's use of a trademark creates a likelihood of confusion—a fact issue—be decided by the court at the motion to dismiss stage?
4. In determining whether a competitor's use of a trademark supports a plausible claim for confusion, should a trial court consider the “digits of confusion” articulated by the Fifth Circuit?
5. If the court believed Adler had not sufficiently alleged a plausible basis for a likelihood of confusion, should it have allowed him to amend his complaint to include survey evidence showing that McNeil's ads yield a net confusion rate of 34% to 44%?

### STATEMENT OF THE CASE

While involving modern technology, this case centers on a classic bait-and-switch scheme run on unsuspecting consumers by using a famous competitor's trademarks to steal clients. Defendants-Appellees Lauren Von McNeil, McNeil Consultants, LLC, and Quintessa Marketing, LLC (collectively "McNeil") run the scheme using the registered marks of Jim Adler and Jim S. Alder, P.C (collectively "Adler") in keyword ads for Google searches made on mobile devices. McNeil—an online "lead generator" who makes money selling leads for personal injury cases to attorneys—uses Adler's marks to intentionally manipulate search engine results on mobile devices and confuse consumers searching for Adler to instead call McNeil by mistake.<sup>5</sup>

McNeil uses Adler's marks for "click-to-call" ads, a search-engine tool targeting mobile users. Instead of linking to a website, a click-to-call ad makes the device place a call. McNeil uses Adler's marks with confusingly designed click-to-call ads and manipulates search results to put her own ads next to—often before—Adler's in search results. McNeil does so knowing consumers specifically searching for Adler will be confused into calling McNeil instead. Once called, McNeil continues the ruse by making consumers believe she is affiliated with Adler, ultimately trying to convince them to hire different lawyers through referral.<sup>6</sup> This appeal turns on whether McNeil's use of Adler's marks to confuse consumers is actionable under the Lanham Act.

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<sup>5</sup> ROA.85-86, 93-95.

<sup>6</sup> ROA.85-86, 93-95.

**A. Jim Adler, widely known as the Texas Hammer, is a famous Texas personal injury lawyer, who owns well-known trademarks.**

Jim Adler has become widely known across Texas as a result of his over fifty years (and counting) legal career. He founded a preeminent Texas personal injury law firm, representing injured parties in all types of cases, with a particular focus on auto and commercial vehicle/eighteen-wheeler accidents. The firm has grown into one of the largest, most widely-recognized and successful personal injury law firms in Texas. It currently has four offices in Houston, Dallas, San Antonio and Channelview, and employs approximately 300 people, including 27 lawyers.<sup>7</sup>

Adler's success is the result of decades of hard work building a reputation for aggressively representing Texas injury victims. Adler has also expended significant effort and expense to build his reputation and name recognition throughout Texas. After a 1977 Supreme Court decision upheld the First Amendment right of attorneys to advertise, Adler became one of the first Texas lawyers to advertise on television. As the Dallas Business Journal wrote in 2015, "Jim Adler, 'The Texas Hammer,' has used an aggressive memorable advertising campaign to make his law firm a household name in several areas of the state." It noted, "[a]s far as personal injury lawyers go, Jim Adler might be the most well known in Texas."<sup>8</sup>

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<sup>7</sup> ROA.86-87.

<sup>8</sup> ROA.87.

Since at least the 1990s, Adler has continuously used several trademarks to identify and promote his firm, including JIM ADLER, THE HAMMER, THE TEXAS HAMMER, and EL MARTILLO TEJANO (collectively, the “Adler Marks”). The Adler Marks are inherently distinctive and serve to identify Adler to consumers. Adler owns incontestable federal registrations for each of the Adler Marks.<sup>9</sup>

To build strong brand recognition, Adler uses the Adler Marks to advertise on television, radio, billboards, and the internet. Adler’s television advertising reaches over 15 million people—more than half of all Texans. Adler’s radio advertising reaches over 12 million Texans. And Adler’s billboards generate 25 to 30 million impressions per week. Since 2000, Adler has spent over \$100 million on ads targeting the Houston, San Antonio, and Dallas-Fort Worth markets.<sup>10</sup>

Adler’s advertisements, which prominently incorporate the Adler Marks, have enabled Adler to develop strong brand recognition in Texas. In 2007, the Houston Chronicle wrote that, “[e]verybody knows what Adler sounds like from his ceaseless TV commercials.” In 2015, the Dallas Morning News named an Adler television commercial to a list of five of the most memorable attorney ads in Dallas-Fort Worth. And in 2019, a montage of Adler’s television ads was featured on an episode of *Last Week Tonight with John Oliver*, an Emmy-award winning HBO news satire program

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<sup>9</sup> ROA.88.

<sup>10</sup> ROA.88-90.



broadcast around the globe. As a result of Adler's long use and promotion, the Adler Marks have become distinctive to designate Adler, and consumers widely recognize and associate the Adler Marks with Adler.<sup>11</sup>

**B. Adler uses the Adler Marks to advertise extensively to consumers online.**

As with television, Adler was an early leader among lawyers in using the internet to advertise legal services. Since 1997, Adler has marketed legal services through jimadler.com, and in 2018 the site averaged more than 52,000 visitors per month. A substantial part of Adler's online advertising effort and budget is spent on purchasing keyword search engine advertising to drive internet traffic to Adler.<sup>12</sup>

Adler purchases keyword search engine ads only for the Adler Marks or generic terms related to the type of cases he handles. For example, Adler purchases keyword ads for "Jim Adler" or "Texas Hammer," as well as when someone searches for "car accident lawyer." Adler does not purchase keywords related to any other lawyer's firm, name, or mark. The vast majority of keyword ads Adler purchases are for someone searching specifically for the Adler Marks, rather than generic terms.<sup>13</sup>

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<sup>11</sup> ROA.91.

<sup>12</sup> ROA.91-92.

<sup>13</sup> ROA.91-92.

Every year, Adler spends hundred-of-thousands of dollars purchasing keyword search engine ads for the Adler Marks. Here is an example of one such advertisement, as it appeared in a Google search:<sup>14</sup>



**C. McNeil uses Adler’s marks as part of a high-tech bait-and-switch scheme, designed to confuse and deceive consumers searching specifically for Adler into calling McNeil by mistake.**

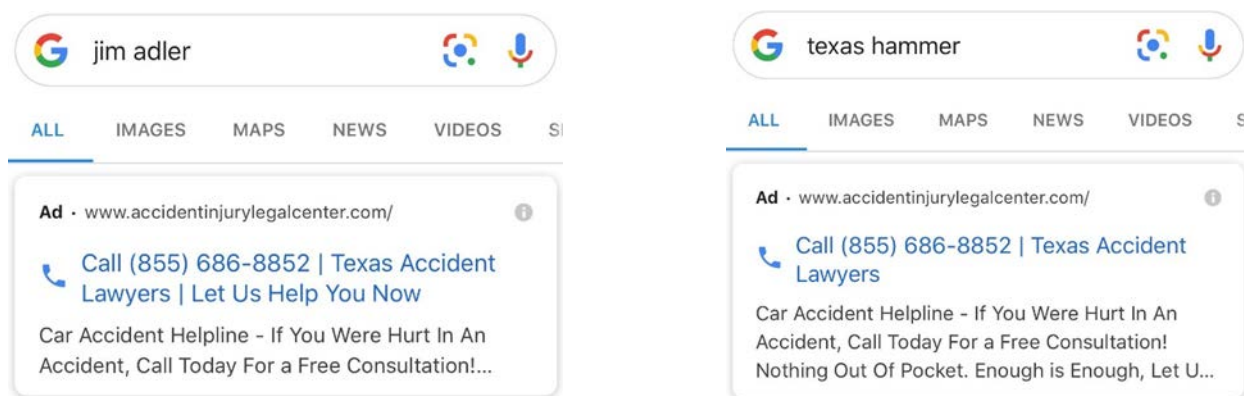
McNeil is not a lawyer, but instead an online “lead generator” who operates a lawyer referral website and call center, and is paid by other lawyers to solicit and refer to them leads for personal injury cases. To generate lucrative referrals, McNeil has intentionally engaged in a scheme to profit off Adler’s reputation and the Adler Marks. McNeil’s scheme is aimed at deceptively inducing prospective clients who are using mobile devices to specifically seek out Adler into mistakenly contacting McNeil and engaging lawyers referred through McNeil instead.<sup>15</sup>

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<sup>14</sup> ROA.92.

<sup>15</sup> ROA.93.

To carry out the scheme, McNeil purchases the Adler Marks as keywords for advertisements on mobile devices through Google’s search engine that employ the “click-to-call” feature. McNeil uses click-to-call ads because of the likelihood consumers will be confused and click on McNeil’s ad without realizing it is not affiliated with Adler. As a result, Google searches for Adler’s marks, including “JIM ADLER,” “THE TEXAS HAMMER,” and “EL MARTILLO TEJANO,” on mobile devices show search results displaying McNeil’s ads—without any source identifier—directly below one or more of the Adler Marks, as shown in these two examples:<sup>16</sup>



McNeil’s ads do not identify herself as a lawyer referral service or any particular lawyer or law firm as the source of the ad. Instead, the ads are intentionally designed to display terms consumers might associate with any personal injury firm. Consumers specifically searching for Adler are likely to believe McNeil’s ads are somehow affiliated with Adler. This is particularly true on mobile devices, where consumers are quickly

<sup>16</sup> ROA.93-94.

searching, often during the stressful aftermath of an accident, the typeface of the ads is much smaller, and the only content displayed on the screen is an ad directly below one or more of the Adler Marks, which the consumer has entered as a search term.<sup>17</sup>

As part of the scheme, McNeil bids increasingly higher amounts for the Adler Marks as keyword ads. The effect of McNeil's bidding not only drives up the cost for Adler to purchase his own marks, but also allows McNeil to place her ads next to and often before Adler's ads and immediately below the Adler Marks (i.e., at the top of the search-results). By having her own nondescript, click-to-call ad next to or before Adler's ad and below the Adler Marks, McNeil is able to cause a higher number of confused consumers searching for Adler to instead mistakenly call McNeil.<sup>18</sup>

McNeil's scheme is highly effective at confusing and deceiving consumers searching specifically for Adler into calling her by mistake. Adler commissioned a double-blind survey of 400 Texas residents who have sought in the past, or would seek in the near future, the services of a personal injury lawyer through an online search. The survey, which was conducted on mobile devices, showed participants search results with McNeil's and Adler's actual ads as triggered by a Google search for one of the Adler Marks. The survey yielded a net confusion rate of between 34% and 44%—

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<sup>17</sup> ROA.93-94.

<sup>18</sup> ROA.94-95.

meaning between 34% and 44% of participants clicked on McNeil's ad believing it was put out by, affiliated or associated with, or approved by Adler.<sup>19</sup>

McNeil's scheme does not end when a confused consumer clicks on her ad by mistake. Because she uses click-to-call ads, McNeil's ads do not give the consumer the ability to click through to a separate website or garner any further information. Instead, when the ad is touched, the mobile device automatically initiates a call to McNeil's call center. McNeil's call-center employees are trained to answer these calls with generic greetings such as "did you have an accident" or "tell me about your accident." McNeil's scheme deceives consumers into continuing to believe they have contacted Adler or someone affiliated with Adler. The goal is to keep confused consumers who were searching specifically for Adler on the phone and talking to McNeil's employees long enough to build a rapport and ultimately convince them to engage lawyers referred through McNeil.<sup>20</sup>

**D. The district court dismissed the lawsuit, believing Adler could not state a claim for likelihood of confusion against McNeil because his marks are not visible in the text of the ads.**

McNeil filed a Rule 12(b)(6) motion to dismiss Adler's claims, arguing her use of Adler's marks was not actionable because the marks were not visible in the ads.<sup>21</sup> In response, Adler denied that his claim was based solely on McNeil's purchase of

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<sup>19</sup> ROA.292-93.

<sup>20</sup> ROA.95.

<sup>21</sup> ROA.115-43, 180-87.

keywords, argued that the marks did not have to be visible to consumers in the advertisement itself for McNeil's use of the marks to be actionable, and asserted that under the Fifth Circuit's "digits of confusion" he had stated a plausible claim for confusion.<sup>22</sup> While the motion was pending, the district court assigned the case for all pretrial matters to the Magistrate Judge, along with a similar case Adler had filed against a competing law firm (the "*Reyes* case") represented by the same attorneys as McNeil with a similar Rule 12(b) motion pending.<sup>23</sup>

On the mostly identical Rule 12(b)(6) motions involving extremely similar infringement claims, the Magistrate Judge reached opposite recommendations in the two cases. First, in the *Reyes* case, the judge recommended denying the motion to dismiss, finding Adler pleaded a plausible claim for trademark infringement.<sup>24</sup> In recommending the motion be denied, the Magistrate Judge correctly applied the Fifth Circuit's "digits of confusion," finding each relevant factor weighed in Adler's favor,<sup>25</sup> and specifically rejected the argument that likelihood of confusion could not be shown because the Adler Marks did not appear in the text of the ads.<sup>26</sup>

Days later, the Magistrate Judge recommended *granting* McNeil's motion to dismiss. While recognizing that "[a] defendant's use of a plaintiff's marks in keyword

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<sup>22</sup> ROA.144-77.

<sup>23</sup> ROA.5, 238-71.

<sup>24</sup> ROA.249-55.

<sup>25</sup> ROA.252-58.

<sup>26</sup> ROA.256.

search engine ads to direct users to the defendant may be unlawful if it causes consumer confusion,”<sup>27</sup> the Magistrate Judge found that when the ad does not visibly incorporate the plaintiff’s mark in its text, there can be no likelihood of confusion as a matter of law.<sup>28</sup> The Magistrate Judge also found that, because no part of Adler’s marks visibly appeared in the text of McNeil’s ads, there was no need to consider the Fifth Circuit’s digits of confusion to determine if Adler alleged a plausible claim for likelihood of confusion.<sup>29</sup> Read in conjunction with *Reyes*, the Magistrate Judge appeared to believe a claim could be asserted against Reyes because he had included the word “hammer” in some of his ads, while McNeil had not.<sup>30</sup>

Adler filed objections to the Magistrate Judge’s recommendation and a motion for leave to file an amended complaint to include his new survey evidence showing the extensive amount of confusion caused by McNeil’s ads.<sup>31</sup> The district court agreed with and accepted the Magistrate Judge’s recommendation as its own, finding Adler could not state a claim for trademark infringement and unfair competition as a matter of law because McNeil did not include the Adler Marks in the visible text of the ads. The court likewise denied the motion to amend as futile.<sup>32</sup> This appeal followed.<sup>33</sup>

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<sup>27</sup> ROA.202.

<sup>28</sup> ROA.201-03.

<sup>29</sup> ROA.203-06.

<sup>30</sup> Compare ROA.189-208, with ROA.238-71.

<sup>31</sup> ROA.209-234, 272-98.

<sup>32</sup> ROA.307-08.

<sup>33</sup> ROA.310.

### SUMMARY OF ARGUMENT

Under federal law, a trademark owner has the right to protect his marks from use by a competitor to confuse and deceive consumers. That is exactly what the complaint alleges here: McNeil is intentionally using Adler's registered marks for keyword search engine ads as part of an online bait-and-switch scheme designed to confuse and deceive consumers specifically searching for Adler into mistakenly calling McNeil instead. Adler's allegations are more than sufficient to state plausible claims under the Lanham Act for infringement and unfair competition.

The district court dismissed, however, believing Adler could not state a plausible claim for likelihood of confusion because McNeil's use of his marks as keywords is not visible in the text of her ads. If adopted, the district court's *per se* approach would severely erode the ability of trademark holders to protect against the misuse of their marks online. Tellingly, just days after the lower court's decision, another district judge in the Northern District of Texas—faced with identical claims brought by another attorney against McNeil—specifically rejected the district court's reasoning and decision in this case.

Likewise, this Court has previously rejected a *per se* approach to determining likelihood of confusion in cases involving online, invisible use of another's trademarks (e.g. meta tags and keywords). Instead, the Court has recognized that whether an owner can prevail on such a claim depends on if they can ultimately prove the use of the mark



“actually or initially confused any consumers”—which is a fact question. Other Circuits and district courts have repeatedly held that nonvisible use of another’s trademark online can state a claim for infringement and unfair competition under the Lanham Act. This approach makes sense because the gravamen of any claim for trademark infringement is simply whether the use of the mark is likely to cause confusion.

This case is not about a competitor’s purchase of keywords for legitimate purposes. Adler’s complaint alleges McNeil uses his marks as part of an intentional bait-and-switch scheme. Liability is based not on the purchase of Adler’s marks as keywords in a vacuum, but instead by the manner in which McNeil is using those purchased keywords to intentionally mislead, confuse, and misdirect consumers searching specifically for Adler. McNeil’s bait-and-switch scheme is exactly the type of conduct courts have long recognized as supporting a claim for initial-interest confusion and unfair competition in search-engine cases. Adler has stated a plausible claim for likelihood of confusion, and McNeil cannot avoid liability for her scheme to use Adler’s marks to confuse and lure away consumers.

Applying the Fifth Circuit’s “digits of confusion” to this case supports a finding that Adler has alleged a plausible claim for likelihood of confusion. The district court was wrong to believe likelihood of confusion could be decided—as a matter of law, before any discovery, and without considering the Court’s digits of confusion—based solely on whether the marks were visible to consumers in the text of McNeil’s ads.

## ARGUMENT

**I. The issues in this appeal are subject to *de novo* review, with the Court deciding whether and by what standard a trademark owner can plausibly allege likelihood of confusion for the use of its mark in an online bait-and-switch scheme.**

The resolution of this case depends on whether the intentional, deceiving use of a trademark owner's marks as keywords, in an online bait-and-switch scheme, can give rise to a plausible claim of trademark infringement. Answering this question "no"—as the district court incorrectly did—will significantly diminish a trademark owner's rights to the use of its brand online and improperly thwart the owner's ability to protect consumers from these types of online schemes.

While arising in the context of mobile online advertising, "[s]tripped of its high-tech veneer, this is a pretty straightforward trademark-infringement case." *Engineered Tax Servs., Inc. v. Scarpello Consulting, Inc.*, 958 F.3d 1323, 1325 (11th Cir. 2020) (reversing summary judgment in a keyword advertising trademark infringement case). "Although the details may seem complicated because the alleged infringement occurred as part of an internet advertisement placed with the world's leading search engine, Google, the technological minutiae don't much matter to the resolution of this appeal." *Id.*

To state a claim under the Lanham Act, a plaintiff must plausibly allege: (1) it owns a legally protectable mark; and (2) the defendant's use of the mark creates a likelihood of confusion as to source, affiliation or sponsorship. *Viacom Int'l v. IJR Capital Invs., LLC.*, 891 F.3d 178, 185 (5th Cir. 2018). The district court recognized that

McNeil does not dispute Adler owns legally-protected marks, and challenges only the likelihood of confusion element.<sup>34</sup> The court granted McNeil's Rule 12(b)(6) motion, finding Adler could not allege a plausible claim for likelihood of confusion as a matter of law because the marks are not visible in the text of McNeil's ads.<sup>35</sup> The court also held that, as a matter of law, there was no likelihood of confusion without the need to consider the Fifth Circuit's "digits of confusion."<sup>36</sup>

The Court reviews dismissal under Rule 12(b)(6) *de novo*, "accepting all well-pleaded facts as true and viewing those facts in the light most favorable to the plaintiff." *Toy v. Holder*, 714 F.3d 881, 883 (5th Cir. 2013). Whether a defendant's use of the plaintiff's mark creates a likelihood of confusion is a question of fact. *Viacom Int'l*, 891 F.3d at 192. However, whether a party is entitled to judgment on likelihood of confusion as a matter of law is reviewed *de novo*. *Id.* Moreover, when the district court applies the wrong legal standard for determining likelihood of confusion, the Court will review that decision *de novo*. *Elvis Presley Enters., Inc. v. Capece*, 141 F.3d 188 (5th Cir. 1998). To survive dismissal, a complaint must allege sufficient facts, accepted as true, to state a plausible claim for relief. *Ashcroft v. Iqbal*, 556 U.S. 662, 678 (2009). Adler's complaint easily meets that standard, and the court was wrong to dismiss.

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<sup>34</sup> ROA.201. Because the district court accepted and adopted the Magistrate Judge's findings, conclusions, and recommendation as its own, ROA.308, for the sake of brevity unless otherwise noted these will be attributed herein simply to the district court.

<sup>35</sup> ROA.203-06, 308.

<sup>36</sup> ROA.205-06.

**II. Adler’s complaint pleads plausible claims for trademark infringement and unfair competition based on McNeil’s scheme to use Adler’s marks to confuse and deceive consumers searching for Adler on mobile devices.**

This case is not about the use of keywords for legitimate comparative advertising. McNeil is *intentionally* using Adler’s marks to confuse and deceive consumers searching specifically for Adler on their phones, to lure them into instead calling her by mistake.<sup>37</sup> Under the district court’s approach, any competitor can use another’s registered marks to deliberately confuse and mislead consumers, so long as the marks do not appear in the text of the ad.<sup>38</sup> But the district court’s *per se* approach to likelihood of confusion improperly erodes the rights of trademark owners online. Trademark law allows an owner to stop others from using its marks to confuse and deceive consumers.

The district court’s *per se* approach is contrary to the case law of the Fifth Circuit, other Circuits, and multiple district courts—which have repeatedly recognized a viable infringement claim for the online use of another’s mark to confuse consumers, even if the mark is not visible. In fact, just days after the lower court’s decision, another district judge in the Northern District of Texas—faced with identical claims brought by another attorney against McNeil—specifically rejected the lower court’s decision in this case. *Ben Abbott & Assocs., PLLC v. Quintessa LLC*, No. 3:20-cv-1790-B, 2020 WL 5633006, at \*5-6, n.6 (N.D. Tex. Sept. 21, 2020) (finding allegations of McNeil’s use of keywords

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<sup>37</sup> ROA.93-98.

<sup>38</sup> ROA.201-06, 308.

in identical online scheme was sufficient to state a claim for likelihood of confusion).

The Court should do the same.

**A. McNeil’s confusing and deceptive use of Adler’s trademarks as keywords is actionable regardless of whether the marks are visible in the deceptive ad itself.**

The basis of the district court’s reasoning—that Adler’s trademarks must visibly<sup>39</sup> appear in the text of McNeil’s ads for liability to arise—is simply wrong. In the context of online advertising, a trademark claim “does not fail for lacking proof that the trademark itself is visible to consumers.” *Am. CAN! v. Car Donations Found.*, No. 18-CV-1709, 2019 WL 1112667, at \*10 (N.D. Tex. March 11, 2019). Keyword bidding is often referred to as “non-consumer-facing” because the consumer has no way of knowing which terms an advertiser bid on. *See Edible Arrangements, LLC v. Provide Commerce, Inc.*, No. 14-CV-250, 2016 WL 4074121, at \*11 (D. Conn. July 29, 2016). In cases involving non-visible uses of trademarks online, courts have repeatedly rejected the argument that the mark must be visible to the consumer to state a claim for infringement.

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<sup>39</sup> Throughout the Report, the Magistrate Judge repeatedly refers to whether McNeil “used” or “incorporated” Adler’s trademarks in the advertisements. The word “use” can be confusing in this context, given the requirement under the Lanham Act that the defendant “use” the mark in commerce for liability to arise. *See* 15 U.S.C. §1114(1)(a), §1125(a). Courts have overwhelmingly held that the purchase of another’s mark as a keyword for an online search engine advertisement is a “use in commerce” under the Lanham Act. *See, e.g., Network Automation, Inc. v. Advanced Sys. Concepts, Inc.*, 638 F.3d 1137, 1145 (9th Cir. 2011); *accord Rosetta Stone Ltd. v. Google, Inc.*, 676 F.3d 144, 152-53 (4th Cir. 2012); *Rescuecom Corp. v. Google Inc.*, 562 F.3d 123, 127-31 (2d Cir. 2009). McNeil’s motion to dismiss did not challenge this element, and the Magistrate Judge recognized McNeil challenged only the likelihood-of-confusion element. *See* ROA.201. For clarity, Adler relies on the word “visible” herein instead, simply to indicate whether the mark is visible to the consumer in the advertisement itself.

“In the Fifth Circuit, trademark visibility has not been recognized as necessary to support a finding of likelihood of confusion.” *Am. CAN!*, 2019 WL 1112667, at \*10. In *Am. Can!*, a case involving invisible website metatags, the court rejected a similar motion to dismiss based on the argument that “the mark does not visibly appear in the search results.” *Id.* at \*9. The court recognized that “the precedent of this court does not suggest that lack of trademark visibility is determinative in keyword advertising cases, which similarly concern visible search results placement caused by invisible use of a trademark.” *Id.* at \*10 (citing *Abraham v. Alpha Chi Omega*, 781 F. Supp. 2d 396, 423 (N.D. Tex. 2011)). The court held that a party can plausibly state an actionable claim for trademark infringement despite the fact that the mark itself was not visible to consumers. *Id.* at \*9-10.

This approach makes sense given that confusion as to source is the gravamen of trademark infringement. *Xtreme Lashes, LLC v. Xtended Beauty, Inc.*, 576 F.3d 221, 229 (5th Cir. 2009). The *America CAN!* court noted that “the defendants do not cite any Fifth Circuit precedent in support of their argument” that an online use of a mark had to be visible to serve as a basis for likelihood of confusion. 2019 WL 1112667, at \*9. The same is true here, as neither the lower court nor McNeil cite any Fifth Circuit authority to support the far-reaching holding that a plaintiff’s marks must be visible to consumers in the text of the defendant’s ads.

In reality, the Court has held the opposite, recognizing that non-consumer-facing use of another's trademark online can state a claim for trademark infringement on proof the mark was used illegitimately or is likely to cause confusion. *See Sw. Recreational Indus., Inc. v. FieldTurf, Inc.*, No. 01-50073, 2002 WL 32783971, at \*7-8 (5th Cir. Aug. 13, 2002). *Southwest Recreational* involved a claim that went to trial on the use of a competitor's marks in invisible meta tags on a website. *Id.* While noting that use of the marks was invisible to consumers, the Court held that the gravamen for any action of trademark infringement was simply whether the use of the mark was likely to cause confusion, which it noted is a fact question in the Fifth Circuit. *Id.* The Court rejected the idea that the law created a *per se* rule for online, non-visible use of a mark and infringement. *Id.* Instead, likelihood of confusion caused by the use of another's trademarks as invisible meta tags online depends on whether the trademark owner can prove that the use of the mark "actually or initially confused any consumers." *Id.*

In *College Network*, the Court held that use of another's trademark as a keyword in search engine ads can properly raise a fact issue on likelihood of confusion for the jury to resolve. *College Network, Inc. v. Moore Educ. Publishers, Inc.*, 378 F. App'x 403, 414 n.5 (5th Cir. 2010). Like here, in *College Network* the trademark owner alleged a competitor had used its marks as keywords on Google and Yahoo search engine ads. *Id.* at 405-06. In reviewing the jury's finding of no likelihood of confusion, the Court noted that, "[t]he jury was permitted to view the key-word search process and visually

compare the companies' websites." *Id.* at 414 n.5. The same should be true here: Adler has sufficiently pleaded an allegation that McNeil's use of his marks as keywords to further her bait-and-switch scheme creates a likelihood of confusion that needs to be resolved by a factfinder.

Other Circuits have similarly held that non-visible use of another's trademark on the internet can state a claim for trademark infringement and unfair competition under the Lanham Act. *See, e.g., Venture Tape Corp. v. McGills Glass Warehouse*, 540 F.3d 56, 60-61 (1st Cir. 2008) (upholding likelihood-of-confusion finding despite fact that unauthorized use of marks was hidden from view online); *Promatek Indus., Ltd. v. Equitrac Corp.*, 300 F.3d 808, 812-13 (7th Cir. 2002) (finding likelihood of initial-interest confusion actionable under Lanham Act where competitor used marks as meta tags to lure consumers searching for competitor's products); *Brookfield Commc'ns, Inc. v. W. Coast Entm't Corp.*, 174 F.3d 1036, 1061-65 (9th Cir. 1999) (holding use of competitor's marks as meta tags and buried code created likelihood of confusion and was prohibited by Lanham Act); *Hearts on Fire Co., LLC v. Blue Nile, Inc.*, 603 F. Supp. 2d 274, 288 (D. Mass. 2009) (denying Rule 12(b)(6) motion to dismiss trademark claims in keyword search engine case even though defendant's ad did not contain the mark).

The law simply does not support the notion that a trademark owner cannot protect against a likelihood of confusion caused by non-visible use of its marks on the internet simply because the mark does not appear in the text of an online advertisement.



The Supreme Court has recognized that federal trademark law is designed to support the free flow of commerce and foster competition. *USPTO v. Booking.com B.V.*, 140 S.Ct. 2298, 2302 (2020). It does so by giving the trademark owner the right to guard against a third party’s misuse of its mark in order to secure the goodwill of its business and protect the ability of consumers to distinguish between competing producers. *Id.* Imposing a “visibility” requirement, as the district court did here, would prevent Adler and countless other trademark owners from protecting their marks from being used in bait-and switch schemes designed to confuse and deceive consumers online.

**B. Adler’s complaint is not about the legitimate purchase of keywords—he properly pleads claims for initial-interest confusion based on McNeil’s misuse of Adler’s marks as part of a scheme to confuse and lure away consumers.**

Believing the marks have to be visible in the text of the ads for a trademark claim, the district court misconstrued Adler’s allegations against McNeil as complaining exclusively about the purchase of his marks as keywords.<sup>40</sup> To the contrary, Adler’s complaint is based on McNeil’s use of those keywords to further an intentional bait-and-switch scheme which involves a chain of conduct that begins with the purchase of Adler’s trademarks as keywords and ends with McNeil confusing consumers and luring them away from Adler.

McNeil’s use of Adler’s marks to intentionally confuse and lure consumers on mobile devices is more than sufficient to state a claim of trademark infringement and

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<sup>40</sup> ROA.201, 204-05, 308.

unfair competition. Adler alleges McNeil: (1) purchases the Adler Marks for internet advertisements targeting consumers searching for Adler on mobile devices because consumers are more likely to be confused in the mobile context; (2) uses the Adler Marks as keywords for deliberately vague ads with no source identifier so consumers searching for Adler will think McNeil's ad is associated with Adler; (3) uses click-to-call technology so as not to reveal the source of the ad and so that consumers searching for Adler will be confused and mistakenly call McNeil without realizing she is not Adler or associated with Adler; (4) bids increasing higher amounts so that her ads are placed immediately below the Adler Marks and before Adler's ads; and (5) has call-center operators follow scripts designed to further confuse callers seeking Adler in the hopes of keeping them on the phone, building rapport, and ultimately convincing them to hire lawyers referred through McNeil.<sup>41</sup> Through this scheme, McNeil wrongly induces prospective clients trying to reach Adler into instead contacting her and engaging lawyers referred by her—confusing and luring away consumers is the entire reason for her use of Adler's marks as keywords.

The district court found this same conduct sufficient to state a plausible claim in the companion *Reyes* case, noting there that Adler “alleges more than simply the purchase of a competitor's trademarks.”<sup>42</sup> Likewise, it is the same conduct by McNeil

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<sup>41</sup> ROA.93-95.

<sup>42</sup> ROA.251.

that the *Abbott* court recognized as alleging more than just the purchase of keywords. *Ben Abbott & Assocs.*, 2020 WL 5633006, at \*4-5.

There is no dispute in this case that the mere purchase of a competitor's mark for keyword searches (e.g., for comparative advertising) does not, in itself, give rise to trademark infringement. But that argument "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 advertisements." *Edible Arrangements*, 2016 WL 4074121, at \*11. Liability for trademark infringement depends on the nature of the defendant's use, "as every use of a mark is different." *Mary Kay, Inc. v. Weber*, 661 F. Supp. 2d 632, 646 (N.D. Tex. 2009). The crux of the issue is whether a defendant's keyword purchase, combined with the look and placement of its ad using the keyword, creates a search-result page likely to mislead, confuse, or misdirect a consumer searching for plaintiff's brand to defendant. *See Edible Arrangements*, 2016 WL 4074121, at \*11 (denying summary judgment on trademark infringement, trademark dilution, and unfair competition claims based on competitor's keyword advertisements).

Someone using a third party's trademarks for search-engine ads should use caution every time they use the marks, and any use of the marks without an explanation that they are not and have no affiliation with the mark owner is suspect. *Mary Kay*, 661 F. Supp. 2d at 646. A competitor's use of a third party's mark as a keyword for search-

engine ads is “suspect” in this sense. *See Abraham*, 781 F. Supp. 2d at 423. Here, McNeil’s use of Adler’s marks is more than suspect—the entire purpose of using Adler’s marks as keywords without any source identifier in the ads themselves is to confuse and lure away consumers from Adler to McNeil.

Adler’s complaint alleges McNeil acted with the intent to confuse and deceive. Had the district court denied McNeil’s motion to dismiss and allowed the case to proceed to discovery—as it should have—Adler would have developed evidence to show McNeil’s bad-faith intent. When a trademark owner shows intent to confuse, this Court has used that fact alone to justify inferring a likelihood of confusion. *See, e.g., Bd. of Supervisors for La. State Univ. Agric. & Mech. Coll. v. Smack Apparel Co.*, 550 F.3d 465, 481 (5th Cir. 2008).

McNeil’s bait-and-switch scheme is exactly the type of conduct courts have long recognized as supporting a claim for “initial-interest” confusion and unfair competition in search-engine cases where the “defendant purchases plaintiff’s trademark as a search engine keyword to divert users to the defendant’s website.” *EarthCam, Inc. v. OxBlue Corp.*, 49 F. Supp. 3d 1210, 1241 (N.D. Ga. 2014). A claim of initial-interest confusion arises when another party’s mark is used to lead the consumer astray on false pretenses and into the arms of a competitor. *Hearts on Fire*, 603 F. Supp. 2d at 284. Unlike legitimate comparative advertising, the use of a competitor’s mark in a bait-and-switch scenario is “clearly actionable” as initial-interest confusion. *See Alzheimer’s Disease &*

*Related Disorders Ass'n, Inc. v. Alzheimer's Found. of Am., Inc.*, 307 F. Supp. 3d 260, 286 (S.D.N.Y. 2018). “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 goodwill.” *Australian Gold, Inc. v. Hatfield*, 436 F.3d 1228, 1239 (10th Cir. 2006).

For instance, in *Australian Gold*, the Tenth Circuit held that use of a competitor’s marks as meta tags and payment for a preferred position on search-results pages when consumers searched for the competitor’s marks—despite the fact it was not selling the competitor’s products—supported a finding the defendant was using the marks in violation of the Lanham Act to confuse and lure away consumers. *Id.*; see also *Promatek*, 300 F.3d at 812-13 (finding initial-interest confusion actionable under Lanham Act where competitor used marks as meta tags to lure consumers searching for competitor’s products). Likewise, the Second Circuit reversed a 12(b)(6) dismissal in a keyword ad case, holding that use of the plaintiff’s marks as keywords for search-engine ads is a “use in commerce” sufficient to state a claim for infringement if the alleged use is likely to cause confusion. *Rescuecom*, 562 F.3d at 130. Other Circuits are in accord. See *Rosetta Stone*, 676 F.3d at 151-60; *Network Automation*, 638 F.3d at 1144-45. Moreover, the Fifth Circuit has held that the issue of likelihood of confusion in a keyword case is a fact issue properly decided by the jury. See *College Network*, 378 F. App’x at 414 n.5.

Adler's allegations are not based on a competitor using his marks as keywords for legitimate comparative advertising purposes, but instead center on McNeil's use of Adler's marks in a classic bait-and-switch scheme designed to confuse and lure away consumers. Adler's complaint is more than sufficient to a state claim for trademark infringement and unfair competition based on initial-interest confusion.

**C. Whether McNeil's bait-and-switch scheme creates a likelihood of confusion sufficient to prove Adler's infringement claim is a fact question that cannot properly be decided on a motion to dismiss.**

Believing a plaintiff's mark must be visible in the defendant's ad, the district court concluded Adler did not allege a likelihood of confusion as a matter of law.<sup>43</sup> But as the Court held in *Southwest Recreational* and *College Network*, whether a competitor's misuse of a trademark online creates a likelihood of confusion is a fact issue. Adler alleges a plausible claim of initial-interest confusion based on McNeil's use of his marks in a bait-and-switch scheme, and likelihood of confusion cannot be properly decided on a motion to dismiss.

Prior case law from the Court does not support deciding likelihood of confusion on a motion to dismiss, particularly when faced with detailed and specific allegations such as those made by Adler. The district court relied on *College Network*, 378 F. App'x at 414 n.5, as holding that use of a competitor's mark in keyword ads does not "compel" a finding of likelihood of confusion,<sup>44</sup>—a point not in dispute. But there, the issue was

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<sup>43</sup> ROA.203.

<sup>44</sup> ROA.201.

whether the trademark owner was entitled to judgment as a matter of law after a full trial, notwithstanding that the jury found no infringement. *College Network*, 378 F. App'x at 406. The Court simply found that “[t]he jury was permitted to view the keyword-search process and visually compare the companies’ websites.” *Id.* at 414 n.5. This approach makes sense because likelihood of confusion in a trademark case is a question of fact. *Viacom*, 891 F.3d at 192. Assessing whether a likelihood of confusion exists requires a review of all the evidence. *Xtreme Lashes*, 576 F.3d at 227. Rather than holding that likelihood of confusion in keyword advertising cases is a question of law, the Court in *College Network* held it is a fact issue properly resolved by the jury.

Cases from other jurisdictions also support this Court’s approach in *College Network*, rejecting the idea that likelihood of confusion in a keyword case should be decided at the motion to dismiss stage. A court in the District of Maryland recently rejected a motion to dismiss in a keyword case where the defendant likewise argued its use of the plaintiff’s marks as a keyword could not result in a likelihood of confusion as a matter of law. *See Seguros R. Vasquez, Inc. v. Aguirre*, No. 19-CV-1484, 2020 WL 3447754, at \*2 (D. Md. June 24, 2020). The court refused to adopt this reasoning, holding, “a claim of trademark infringement based on the use of the mark in a Google keyword cannot be dismissed as a matter of law at this early stage of the proceedings, before [plaintiff] has even been afforded an opportunity for discovery.” *Id.*

Likewise, the Northern District of Illinois denied a motion to dismiss in a keyword advertising case where the text of the ad did not include the marks or refer to either plaintiff or defendant. *See Morningware, Inc. v. Hearthware Home Prods., Inc.*, 673 F.Supp.2d 630, 636 (N.D. Ill. 2009). The court held that a claim for initial-interest confusion was properly stated, reasoning that use of the plaintiff's mark as a keyword with the unlabeled ad could mislead consumers who had searched for the plaintiff into believing the link was associated with the plaintiff. *Id.*

And last year, a district court in Connecticut denied a motion to dismiss in a similar keyword advertising case. *See TSI Prods., Inc., v. Armor All/STP Prods., Co.*, No. 17-CV-1131, 2019 WL 4600310 (D. Conn. Sept. 23, 2019). In *TSI*, the plaintiff alleged a competitor infringed its trademark by purchasing TSI's marks "to use in keyword advertising and [by] using TSI's mark in a manner likely to cause consumer confusion." *Id.* at \*4. As here, the defendant sought dismissal, arguing the complaint failed to state a plausible claim for infringement because "the purchase of a competitor's marks as keywords alone, without additional behavior that confuses consumers, is not actionable." *Id.* at \*5. The court denied the motion, finding that the complaint, "pleads more than simply the purchase of a competitor's marks." *Id.* The court found the plaintiff plausibly pleaded a claim for infringement because the 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.” *Id.* (quoting *Edible Arrangements*, 2016 WL 4074121, at \*11). The same is true here, and Adler properly pleaded his claims under the Lanham Act.

Courts have long recognized that, even if the ads are labeled as such, use of a competitor’s marks as keywords for online ads—“even as to sponsored links that did not display the trademarked term”—can state a plausible claim for initial-interest confusion and should not be dismissed on a Rule 12(b)(6) motion. *See, e.g., Tokyo Broad. Sys. v. Am. Broad. Co., Inc.*, No. 08-CV-06622, 2009 WL 10668456, at \*9-11 (C.D. Ca. Aug. 12, 2009). These decisions make clear that the case law does not support dismissal of a keyword case based on likelihood of confusion as a matter of law. *See, e.g., St George Exec. Shuttle, LLC v. W. Trails Charters & Tours*, No. 17-CV-900, 2018 WL 3350348, at \*\*2-3 (D. Utah July 19, 2018).

In the face of the overwhelming case law on this point, the district court relied on five cases from other jurisdictions to support its holding that, when the advertisement does not visibly incorporate the plaintiff’s mark in the text of the ad, there can be no likelihood of confusion as a matter of law.<sup>45</sup> But these cases do not support the district court’s approach or McNeil’s claim for dismissal.

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<sup>45</sup> ROA.15-16.

First, the court relied on *1-800 Contacts, Inc. v. Lens.com, Inc.*, 722 F.3d 1229 (10th Cir. 2013), believing the Tenth Circuit held that summary judgment was proper on likelihood of confusion because the subject ads did not contain the plaintiff's marks. But that is not what the Tenth Circuit held. In fact, it specifically rejected that approach. In *1-800 Contacts*, the trial court held summary judgment was proper on likelihood of confusion where the ads did not include the trademark in the text. *See 1-800 Contacts, Inc. v. Lens.com, Inc.*, 755 F. Supp. 2d 1151, 1173-74 (D. Utah 2010). Although noting the argument had "some attraction," the Tenth Circuit held that, "if confusion does indeed arise, the advertiser's choice of keyword may make a difference to the infringement analysis even if the consumer cannot discern that choice." 722 F.3d at 1243. Instead of deciding likelihood of confusion based on a blanket rule involving visibility, the Tenth Circuit reviewed the summary judgment record in light of the multifactor test for likelihood of confusion, noting the evidence showed a net confusion rate of just 7.4%. *Id.* at 1243-49. Here, unlike in *1-800 Contacts*, Adler has not had the chance for discovery to develop or present such evidence, but if allowed, Adler would be able to show McNeil's bait-and-switch scheme creates a drastically higher level of consumer confusion—more than sufficient to prove a claim under the Lanham Act.<sup>46</sup> As another court observed: "*1-800-Contacts* thus does not hold, as a matter of law, that

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<sup>46</sup> *See e.g.* ROA.292-93 (Alleging a double-blind survey found that McNeil's ads resulted in a net confusion rate between 34% and 44%).

no trademark infringement claim can be based on a defendant's use of a plaintiff's trademark as a keyword search term.” *Seguros R. Vasquez*, 2020 WL 3447754, at \*3.

Next, the court cited three cases in which the plaintiff was denied a preliminary injunction on keyword advertising claims. Significantly, none of these decisions involved a motion to dismiss or determined that the plaintiffs failed to state a claim as a matter of law. Instead, each merely decided the plaintiff had not carried the heavy burden of entitlement to a preliminary injunction.<sup>47</sup> In *Tartell*, while the court denied the plaintiff a preliminary injunction because it found the plaintiff had not proven it was substantially likely to succeed, the court noted that “[t]he ultimate finder of fact may disagree.” 2013 WL 12036430, at \*7. The case then proceeded to discovery on the infringement claim.<sup>48</sup> Similarly, in *USA Nutraceuticals Group*, the court recognized that a preliminary injunction is a “drastic remedy” and denied the requested relief, noting that “the use of a keyword encompassing a competitor’s terms does not *necessarily* produce an infringing advertisement.” 165 F. Supp. 3d at 1266 (emphasis added). The court had previously denied two separate motions to dismiss the trademark claims.<sup>49</sup>

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<sup>47</sup> *USA Nutraceuticals Grp., Inc. v. BPI Sports, LLC*, 165 F. Supp. 3d 1256, 1265-68 (S.D. Fla. 2016); *Infogroup, Inc. v. Database LLC*, 95 F. Supp. 3d 1170, 1191-92 (D. Neb. 2015); *Tartell v. S. Fla. Sinus & Allergy Ctr., Inc.*, No. 12-CV-61853, 2013 WL 12036430, at \*\*4-7 (S.D. Fla. Jan. 28, 2013).

<sup>48</sup> *Tartell v. S. Fla. Sinus & Allergy Ctr., Inc.*, No. 12-CV-61853, 2013 WL 11971281, at \*1 (S.D. Fla. Nov. 23, 2013) (granting plaintiff's motion to compel discovery on whether search engine ads confused consumers).

<sup>49</sup> *USA Nutraceuticals Grp., Inc. v. BPI Sports, LLC*, No. 15-CV-80352, 2016 WL 4254257 (S.D. Fla. Feb. 16, 2016); *USA Nutraceuticals Grp., Inc. v. BPI Sports, LLC*, No. 15-CV-80352, 2015 WL 11438214 (S.D. Fla. May 19, 2015).

Moreover, the court noted that, unlike in the Fifth Circuit, “[i]nitial interest confusion has yet to be welcomed in the Eleventh Circuit.” *Id.* at 1268. And in *Infogroup*, the parties’ dispute ultimately proceeded to a jury trial where plaintiffs prevailed.<sup>50</sup> The court rejected defendant’s motion for judgment or a new trial—which was based on the argument that the court’s prior rulings on confusion were correct—because additional evidence was submitted at trial.<sup>51</sup> In rejecting a similar argument, the court explained, “just because there was not *persuasive* evidence before the Court at the preliminary injunction stage, does not mean there was not *any* evidence presented at trial nearly four years later.”<sup>52</sup> Here, Adler has not sought a preliminary injunction, and none of these cases relied on by the district court support dismissing Adler’s claims as a matter of law.

The only case cited by the district court that involves a motion to dismiss is *J.G. Wentworth*, an unpublished decision from the Eastern District of Pennsylvania. *J.G. Wentworth, S.S.C. Ltd. P’hip v. Settlement Funding LLC*, No. 06-CV-0597, 2007 WL 30115 (E.D. Pa. Jan. 4, 2007). In that case, the court held that use of another’s trademarks in both keywords and meta tags could not state a claim for likelihood of confusion because the marks were not visible to the consumer. *Id.* at \*6-8. In its decision, the court recognized that “numerous cases from other jurisdictions” had extended such

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<sup>50</sup> *Infogroup, Inc. v. DatabaseUSA.com LLC*, No. 14-CV-49, 2018 WL 6624217, at \*\*13-15 (D. Neb. Dec. 18, 2018), *aff’d on other grounds*, 956 F.3d 1063 (8th Cir. 2020).

<sup>51</sup> *Id.* at \*14 n.6.

<sup>52</sup> *Id.* at \*15 (emphasis in original).

protection for initial-interest confusion to trademark holders, but the Third Circuit had not yet done so. *Id.* at \*7. Recognizing the Ninth Circuit's *Brookfield* decision as the seminal case supporting such a claim, the court simply disagreed with that opinion and the legal basis for such a claim. *Id.*

The *J.G. Wentworth* opinion does not reflect the law in the Fifth Circuit. In fact, neither the Fifth Circuit nor any lower court within the Fifth Circuit had ever cited or relied on *J.G. Wentworth* before this case. Likely, that is because the Fifth Circuit and district courts in the Circuit have consistently held that a claim for infringement based on use of a mark in online advertising does *not* require the mark to be visible. *See, e.g., Sw. Recreational Indus.*, 2002 WL 32783971, at \*7-8; *College Network*, 378 F. App'x at 414 n.5; *Ben Abbott & Assocs.*, 2020 WL 5633006, at \*5-6; *Am. CAN!*, 2019 WL 1112667, at \*10; *Abraham*, 781 F. Supp. 2d at 423. Moreover, while *J.G. Wentworth* rejected *Brookfield*, the Fifth Circuit has cited *Brookfield* approvingly and explained how it and other similar decisions are consistent with Fifth Circuit jurisprudence on this issue. *See Sw. Recreational Indus.*, 2002 WL 32783971, at \*7-8. Courts in jurisdictions where the use of meta tags and keywords is recognized as supporting claims under the initial-interest theory have similarly rejected *J.G. Wentworth's* holding. *See, e.g., Morningware*, 673 F. Supp. 2d at 637-38. The same should be true here.

**D. Likelihood of confusion must be determined based on the Fifth Circuit’s “digits of confusion,” which support Adler’s claims.**

In assessing whether there is a likelihood of confusion, the Court has articulated a non-exhaustive list of factors that must be considered, known as the “digits of confusion.” *Scott Fetzer Co. v. House of Vacuums Inc.*, 381 F.3d 477, 484-85 (5th Cir. 2004). While the number of factors weighed by the court can vary from case to case, there are typically eight digits to weigh when determining whether there is a likelihood of confusion: (1) strength of the mark; (2) mark similarity; (3) product or service similarity; (4) outlet and purchaser identity; (5) advertising media identity; (6) defendant’s intent; (7) actual confusion; and (8) care exercised by potential purchasers. *See All. for Good Gov’t v. Coal. for Better Gov’t*, 901 F.3d 498, 508 (5th Cir. 2018); *see also Mary Kay, Inc. v. Weber*, 601 F. Supp. 2d 839, 857 (N.D. Tex. 2009). While the district court recognized that courts “must consider the ‘digits of confusion’” to determine whether the defendant’s use is likely to cause confusion, here it decided, without citation to any authority, that the factors need not be considered if the plaintiff’s marks are not visible to consumers in the defendant’s ad.<sup>53</sup> No authority supports that conclusion.

To the contrary, in *College Network*, the Court applied the digits in a keyword case to evaluate the likelihood of confusion despite the plaintiff’s argument that it should apply the Ninth Circuit’s test. 378 F. App’x at 414. Other courts have similarly applied the digits to a keyword case. *See, e.g., Abraham*, 781 F. Supp. 2d at 417-28. Moreover,

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<sup>53</sup> ROA.203, 205.

the Court has warned that “we must consider the application of each digit in light of the specific circumstance of the case; otherwise we risk inadvertently lowering the standard of confusion.” *Scott Fetzer Co.*, 381 F.3d 477.

The district court’s approach conflicts with Fifth Circuit trademark jurisprudence. Likelihood of confusion is usually better determined after the record is developed, including in keyword ad cases. See *Hilton Head Island Dev. Co., LLC v. DuBois*, No. 13-CV-3510, 2014 WL 12607844, at \*3 (D.S.C. July 1, 2014) (denying motion to dismiss by law firm in trademark infringement case based on keyword ads); see also *Xtreme Lashes*, 576 F.3d at 227 (a fact question). If the digits were properly applied in this case—as was done in the companion *Reyes* case where the court found that seven of the eight digits weighed in Adler’s favor—the digits overwhelmingly favor rejecting dismissal.<sup>54</sup>

**(1) Strength of the Marks:** As the district court concluded, Adler’s marks are strong.<sup>55</sup> Conceptual strength turns on distinctiveness, which the law breaks into five categories: (1) generic, (2) descriptive, (3) suggestive, (4) arbitrary, and (5) fanciful. *Streamline Prod. Sys., Inc. v. Streamline Mfg. Inc.*, 851 F.3d 440, 451 (5th Cir. 2017). Courts deem marks falling into the latter three categories inherently distinctive (i.e., strong). *Id.* Here, the Adler Marks used by McNeil are JIM ADLER, THE HAMMER, THE

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<sup>54</sup> ROA.253-58.

<sup>55</sup> See ROA.253-56 (“[Adler] states facts showing that the Adler Marks are both conceptually and commercially strong.”).

TEXAS HAMMER, and EL MARTILLO TEJANO. At the very least, these marks are suggestive and inherently distinctive for use with legal services.

Moreover, Adler's marks are commercially strong given Adler's extensive duration of use, extensive advertising, and public recognition. *See Firebirds Int'l, LLC v. Firebird Rest. Grp., LLC*, 397 F. Supp. 3d 847, 861-62 (N.D. Tex. 2019); *Binder v. Disability Grp., Inc.*, 772 F. Supp. 2d 1172, 1176 (C.D. Cal. 2011) (evidence law firm "extensively marketed and advertised their services and worked to build their reputation based around their name" supported finding mark strong). In a keyword case, the strength of a mark is probative of confusion. *CollegeSource, Inc. v. AcademyOne, Inc.*, No. 10-CV-3542, 2012 WL 5269213, at \*17 (E.D. Penn. Oct. 25, 2012). "[A] user searching for a distinctive term is more likely to be looking for a particular product, 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. McNeil's use of Adler's strong marks as search terms is strong evidence of a likelihood of confusion. *See id.* This digit heavily favors Adler.

**(2) Similarity of the Marks:** McNeil uses Adler's exact marks as keywords to manipulate search engine results and confuse consumers. A defendant's use of marks identical to the plaintiff's in connection with search-engine advertising creates a "strong



likelihood of confusion.” *Binder*, 772 F. Supp. 2d at 1176. Because the marks are identical, this factor strongly favors Adler.<sup>56</sup>

**(3) Similarity of the Products:** Adler and McNeil promote the same product—legal services for personal injury claims. *See Binder*, 772 F. Supp. 2d at 1176 (services “identical” where parties sought “clients for social security disability cases”). Though McNeil has inserted herself into the market as a middleman referral service and is not a lawyer or a law firm, her profits undeniably derive from connecting consumers with legal services. Illustrating that point is her use of the name Accident Injury Legal Center and her offer of free consultations.<sup>57</sup> As the lower court recognized in the companion *Reyes* case, “[t]he fact the defendant is a competitor providing the same class of services weighs heavily in favor of finding the defendant’s use of the plaintiff’s mark is likely to cause confusion.”<sup>58</sup> This factor strongly favors Adler.

**(4) Outlet and Purchaser Identity:** Adler and McNeil advertise to the same consumers in the same markets, i.e., Texas personal injury plaintiffs and their families.<sup>59</sup> The fact that McNeil promotes the same class of services for the same general purpose to reach the same potential consumers weighs heavily in favor of a finding McNeil’s use of Adler’s marks is likely to cause confusion. *See Edible Arrangements*, 2016 WL

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<sup>56</sup> *See* ROA.256.

<sup>57</sup> ROA.94.

<sup>58</sup> ROA.257.

<sup>59</sup> ROA.85-86, 88, 91, 93.

4074121, at \*8; *see also* *Reyes* Report 20 (noting the parties “compete to reach the same consumers: Texas personal injury plaintiffs and their families”).<sup>60</sup>

**(5) Advertising Media Identity:** Adler and McNeil both use keyword ads for internet searches conducted on mobile devices, and McNeil concedes as much.<sup>61</sup> This factor strongly favors Adler.<sup>62</sup>

**(6) Defendant’s Intent:** McNeil uses Adler’s marks to intentionally confuse consumers searching specifically for Adler so that they contact McNeil instead.<sup>63</sup> “Although not necessary to a finding of likelihood of confusion, a defendant’s intent to confuse may alone be sufficient to justify an inference that there is a likelihood of confusion.” *Smack Apparel Co.*, 550 F.3d at 481. Because McNeil intentionally uses Adler’s marks to confuse consumers searching for Adler, this factor should weigh heavily in Adler’s favor.<sup>64</sup>

Moreover, “[a] showing that the defendant intended to use the allegedly infringing mark with knowledge of the predecessor’s mark may give rise to a presumption that the defendant intended to cause public confusion.” *Conan Props., Inc. v. Conans Pizza, Inc.*, 752 F.2d 145, 151 n.2 (5th Cir.1985). As in the *Reyes* Report, the court should presume McNeil acted in bad faith, as she undoubtedly had knowledge of

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<sup>60</sup> ROA.257

<sup>61</sup> ROA.85-86, 91-96, 123-24.

<sup>62</sup> *See* ROA.257.

<sup>63</sup> ROA.93-96.

<sup>64</sup> *See* ROA.257-58.

Adler and his marks when she began using identical marks in her fraudulent scheme.<sup>65</sup> McNeil would not purchase Adler's marks as keywords and bid increasing amounts of money to manipulate search-engine results if she did not know their strength among consumers.

Under the facts alleged in the complaint, “[t]he circumstances of this case show . . . that [McNeil] intended to capitalize on the potential for confusion.” *Smack Apparel*, 550 F.3d at 482. “The nature of [McNeil’s] scheme leaves little doubt as to Defendants’ bad-faith intent to trade on [Adler’s] goodwill and reputation.”<sup>66</sup> The fact McNeil uses Adler’s marks as keyword advertisements for her services is, at the very least, sufficient to create a question of fact on intent and likelihood of confusion. *See Clearline Techs. Ltd. v. Cooper B-Line*, No. 11-CV-1420, 2012 WL 12893491, at \*15 (S.D. Tex. July 2, 2012) (fact issue precluded summary judgment in case involving meta tags). Adler is entitled to discovery on this issue, which will allow him to show through evidence that McNeil had acted with bad-faith to confuse. Because McNeil knows of Adler’s marks and intentionally uses those marks to confuse consumers searching for Adler on mobile devices, this digit weighs heavily in favor of Adler. *See Reyes Report* 21 (“This factor weighs in favor of a finding of likelihood of confusion or, at the very least, is sufficient to create a question of fact on intent and the likelihood of confusion.”).<sup>67</sup>

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<sup>65</sup> *See* ROA.257-58.

<sup>66</sup> ROA.95.

<sup>67</sup> ROA.258.

**(7) Actual Confusion:** Adler is not required to offer evidence of actual confusion, given how difficult it is to find and prove in trademark and unfair competition cases. As the Court has made clear, “[i]t is well established . . . that evidence of actual confusion is not necessary for a finding of likelihood of confusion.” *Smack Apparel*, 550 F.3d at 483. “When a plaintiff presents no evidence of actual confusion, the digit is at best neutral.” *Healix Infusion Therapy, Inc. v. Healix, Inc.*, No. 17-CV-357, 2018 WL 1801149, at \*20 (S.D. Tex. Apr. 16, 2018). Hence, as the lower court found in the *Reyes* Report, this factor is neutral at best, particularly at the pre-discovery stage. *See Reyes* Report 21 (“Plaintiffs are not required to plead or provide evidence of actual confusion at the motion to dismiss stage.”).<sup>68</sup>

Nevertheless, Adler has offered allegations, in the form of a double-blind survey showing a net confusion rate of at least 34% caused by McNeil’s use of Adler’s marks, demonstrating that McNeil’s scheme is causing actual confusion in the marketplace.<sup>69</sup> Consumer surveys are probative of actual confusion. *See e.g., Viacom Int’l*, 891 F.3d at 197 (“To show actual confusion, a plaintiff may rely on anecdotal instances of consumer confusion or consumer surveys.”). Courts routinely credit survey evidence showing a net confusion rate of less than 20% as indicative of a likelihood of confusion. *See generally* J. Thomas McCarthy, 6 MCCARTHY ON TRADEMARKS AND UNFAIR

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<sup>68</sup> ROA.258.

<sup>69</sup> ROA.274-75, 282, 292-93.

COMPETITION §32:185 (5th ed. 2018). For instance, the Fifth Circuit found a survey with a 15% net confusion rate “strong evidence indicating a likelihood of confusion.” *Exxon Corp. v. Tex. Motor Exch. of Houston, Inc.*, 628 F.2d 500, 507 (5th Cir. 1980). Adler’s survey allegations are strong evidence of confusion.

**(8) Care Exercised by Purchasers:** As alleged in Adler’s complaint, McNeil is not purchasing Adler’s marks on desktops, but instead targets only those consumers searching on mobile devices. McNeil does so because she knows consumers searching for Adler on mobile devices are more likely to be confused by ads using Adler’s marks.<sup>70</sup> At this point in the case, there is no evidence to support any other finding as to the degree of care exercised by potential consumers. Given the stage of the proceedings, this final factor should weigh in favor of Adler.<sup>71</sup>

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As the district court found in the companion *Reyes* case, “[t]aking as true the allegations in Plaintiffs’ complaint and considering them in the light most favorable to Plaintiffs as measured against the eight digits, Plaintiffs plausibly show that there is a likelihood of confusion.”<sup>72</sup> The court should have weighed the digits and reached the same result in this case. Determining likelihood of confusion requires consideration of the digits of confusion, and applying them here should lead to a finding that Adler has

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<sup>70</sup> ROA.85-86, 93-94.

<sup>71</sup> See ROA.258.

<sup>72</sup> See ROA.258.

plausibly stated claims against McNeil for trademark infringement and unfair competition. The lower court could not properly decide if likelihood of confusion was plausibly alleged without considering the digits.

**III. Alternatively, Adler should have been granted leave to file an amended complaint to cure any deficiency in pleading likelihood of confusion.**

In addition to objecting to the Magistrate Judge's recommendation to dismiss the complaint, Adler also moved to file an amended complaint to address the finding that he had not sufficiently pleaded likelihood of confusion.<sup>73</sup> Specifically, Adler sought to file an amended complaint to include the fact that he had commissioned a double-blind survey of consumers which found McNeil's ads yielded a net confusion rate of 34% to 44%.<sup>74</sup> Wrongly believing Adler could not allege likelihood of confusion as a matter of law because the Adler Marks are not visible in the text of McNeil's ads, the district court denied the motion for leave to file the amended complaint as futile.<sup>75</sup> But the factual allegations offered by Adler in the amended complaint are strong evidence of likelihood of confusion, and Adler should have been allowed to file his amended complaint.

A survey showing a net confusion rate of at least 34% is strong evidence of actual confusion. Consumer surveys are probative of actual confusion, *e.g.*, *Viacom Int'l*, 891 F.3d at 197 ("To show actual confusion, a plaintiff may rely on anecdotal instances of

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<sup>73</sup> ROA.272-98.

<sup>74</sup> ROA.282, 292-93.

<sup>75</sup> ROA.308.

consumer confusion or consumer surveys.”), and evidence of actual confusion “is the best evidence of a likelihood of confusion,” *e.g.*, *Xtreme Lashes, LLC*, 576 F.3d at 229. In fact, “while very little proof of actual confusion would be necessary to prove the likelihood of confusion, an almost overwhelming amount of proof would be necessary to refute such proof.” *World Carpets, Inc. v. Dick Littrell’s New World Carpets*, 438 F.2d 482, 489 (5th Cir. 1971).

Moreover, courts routinely credit survey evidence showing a net confusion rate of less than 20% as indicative of a likelihood of confusion. *See generally* McCarthy, *supra*, §32:185. For instance, the Court found a survey with a 15% net confusion rate “strong evidence indicating a likelihood of confusion.” *Exxon Corp.*, 628 F.2d at 507. Lower courts in the Fifth Circuit have followed that guidance. *See, e.g.*, *Dallas Cowboys Football Club, Ltd. v. Am.’s Team Props., Inc.*, 616 F. Supp. 2d 622, 641 (N.D. Tex. 2009) (noting confusion rates of 19% to 39% “are within the range accepted by courts—generally 15 percent—in assessing likelihood of confusion”); *Pebble Beach Co. v. Tour 18 I, Ltd.*, 942 F. Supp. 1513, 1549 (S.D. Tex. 1996) (survey showing net confusion rate between 15% and 17% was reliable evidence of actual confusion).

Rule 15(a) governs a plaintiff’s request for leave to amend its complaint. FED. R. CIV. P. 15(a)(2). Where, as here, a motion to amend is denied based on futility, the Fifth Circuit applies the *de novo* standard of review, and reviews the lower court’s decision under the same standard used to review the dismissal under Rule 12(b)(6).

*Thomas v. Chevron U.S.A., Inc.*, 832 F.3d 586, 590 (5th Cir. 2016). The Court has repeatedly characterized Rule 15(a) as “evinc[ing] a bias in favor of granting leave to amend,” and a district court “must have a substantial reason to deny a request for leave to amend.” *Herrmann Holdings Ltd. v. Lucent Techs. Inc.*, 302 F.3d 552, 566 (5th Cir. 2002) (internal quotes omitted). Fifth Circuit case law holds that granting leave to amend is especially appropriate when the trial court has dismissed the complaint for failure to state a claim. *Great Plains Trust Co. v. Morgan Stanley Dean Witter & Co.*, 313 F.3d 305, 329 (5th Cir. 2002).

While the district court appears to have believed McNeil’s ads could not create a likelihood of consumer confusion without visibly including Adler’s marks in the text of the ads, the results of Adler’s survey show otherwise. Even if the district court believed Adler’s original pleadings fell short, Adler should have been allowed to file his amended complaint to offer this strong evidence of actual confusion caused by McNeil’s scheme.

**IV. Adler alleged plausible claims under the Lanham Act, and the district court should have exercised supplemental jurisdiction over Adler’s state law claims.**

Based on its belief that Adler could not allege plausible claims under the Lanham Act because McNeil does not visibly include Adler’s marks in the text of her ads, the trial court also declined to exercise supplemental jurisdiction over Adler’s state law claims in dismissing Adler’s federal claims under Rule 12(b)(6).<sup>76</sup> Because the district

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<sup>76</sup> ROA.206-07, 308.



court was wrong to dismiss Adler's federal claims, it should have retained supplemental jurisdiction over Adler's related state law claims.

Adler does not dispute that a district court, once it has dismissed all claims over which it has original jurisdiction, may decline to exercise supplemental jurisdiction over related state law claims. 28 U.S.C. §1367(c)(3). No doubt, district courts "enjoy wide discretion in determining whether to retain supplemental jurisdiction over a state claim once all federal claims are dismissed." *Noble v. White*, 996 F.2d 797, 799 (5th Cir. 1993). This Court reviews a district court's refusal to exercise supplemental jurisdiction under §1367 for abuse of discretion. *Brookshire Bros. Holding, Inc. v. Dayco Prods., Inc.*, 554 F.3d 595, 599 (5th Cir. 2009). Whether a district court abuses its discretion after §1367(c)(3) has been satisfied depends on "common law factors of judicial economy, convenience, fairness, and comity." *Enochs v. Lampasas Cty.*, 641 F.3d 155, 158-59 (5th Cir. 2011). And the Court has articulated the general rule that, "a court should decline to exercise jurisdiction over remaining state-law claims when all federal-law claims are eliminated before trial." *Brookshire*, 554 F.3d at 602.

However, as laid out herein, because the allegations in Adler's amended complaint are more than sufficient to state his Lanham Act claims for trademark infringement and unfair competition, those federal claims should not have been dismissed, and so supplemental jurisdiction properly exists over each of Adler's state-law claims. *See* 28 U.S.C. §1367(a). In fact, in the companion *Reyes* case, the court

recognized Adler had adequately pleaded and could pursue identical state law claims.<sup>77</sup>

The same should be true here.

### CONCLUSION

For these reasons, Adler asks the Court to reverse the district court's August 29, 2020 order and judgment granting McNeil's motion to dismiss, and remand this case for a determination on the merits of Adler's federal and state law claims.

Dated November 9, 2020

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<sup>77</sup> ROA.261-69.

**CERTIFICATE OF SERVICE**

I, Kurt Kuhn, do hereby certify that the above and foregoing Brief of Appellants has been served via the ECF System on this the 9<sup>th</sup> day of November, 2020, to:

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**CERTIFICATE OF COMPLIANCE**

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Dated: 11/09/2020