

UNITED STATES DISTRICT COURT  
CENTRAL DISTRICT OF CALIFORNIA

**CIVIL MINUTES - GENERAL**

Case No. 2:20-cv-00423-RGK-KS Date July 13, 2021

Title *Reflex Media, Inc. et al v. Luxy Limited*

Present: The Honorable R. GARY KLAUSNER, UNITED STATES DISTRICT JUDGE

Sharon L. Williams

Not Reported

N/A

Deputy Clerk

Court Reporter / Recorder

Tape No.

Attorneys Present for Plaintiff:

Attorneys Present for Defendants:

Not Present

Not Present

**Proceedings: (IN CHAMBERS) Order Re: Defendant's Motion to Dismiss under Rule 12(b)(6) [DE 59]**

**I. INTRODUCTION**

On July 15, 2020, Reflex Media, Inc. and Clover8 Investments (collectively, "Plaintiffs") filed a First Amended Complaint ("FAC") against Luxy Limited ("Defendant") alleging: (1) trademark infringement under 15 U.S.C. §§ 1114 and 1125(a); (2) false designations, false advertising, and unfair competition under 15 U.S.C. § 1125(a); (3) unfair competition under California Business and Professions Code § 17200; (4) copyright infringement under 17 U.S.C. § 501; and (5) common law unfair competition.

Defendant moved to dismiss the FAC for lack of personal jurisdiction. (ECF No. 28). The Court denied the motion in February 2021. (ECF No. 41). Through a stipulation, Plaintiffs then filed a Second Amended Complaint ("SAC") bringing the same claims as in the FAC. (ECF No. 58).

Now before the Court is Defendant's Motion to Dismiss under Federal Rule of Civil Procedure ("Rule") 12(b)(6). For the following reasons, the Court **DENIES** Defendant's Motion.

**II. FACTUAL BACKGROUND**

Plaintiffs allege:

Reflex Media operates online dating websites, SeekingArrangement.com and Seeking.com, along with a mobile application, Seeking. Clover8 is the registered owner of several federally registered trademarks used by Reflex Media. Luxy owns and operates a competing online dating website, OnLuxy.com, and a mobile application, LuxyApp.

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Defendant schemed to defraud Plaintiffs and the public by utilizing Plaintiffs' brand names, goodwill, and trademarks to gain association with Plaintiffs and illicitly profit from Plaintiffs' work. Defendant used the phrase "Online Arrangement" and Plaintiffs' trademark "Seeking Millionaire" as metatags on its website to direct consumers who searched for "Seeking," "Seeking Millionaire," and "Seeking Arrangement" to its own website and mobile application. Defendant has also used Plaintiffs' trademarks "Seeking Millionaire," "Seeking Arrangement," "Whats Your Price," "Carrot Dating," and "Seeking" as search terms in the Apple Appstore and Google Play Store to yield LuxyApp as a search result. Plaintiffs have not authorized such use of their trademarks.

Defendant has also infringed Plaintiffs' copyrights by unlawfully copying Plaintiffs' Terms of Use and Privacy Policy onto its website and by using Plaintiffs' trademark "SA" in the description of its privacy policies.

### **III. JUDICIAL STANDARD**

Under Federal Rule of Civil Procedure ("Rule") 8(a), a complaint must contain a "short and plain statement of the claim showing that the [plaintiff] is entitled to relief." *Bell Atl. Corp. v. Twombly*, 550 U.S. 544, 555 (2007). If a complaint fails to adequately state a claim for relief, the defendant may move to dismiss the claim under Rule 12(b)(6) to dismiss for failure to state a claim upon which relief can be granted. Fed. R. Civ. P. 12(b)(6). "To survive a motion to dismiss, a complaint must contain sufficient factual matter, accepted as true, to 'state a claim to relief that is plausible on its face.'" *Ashcroft v. Iqbal*, 556 U.S. 662, 678 (2009) (quoting *Twombly*, 550 U.S. at 570). A claim is facially plausible if the plaintiff alleges enough facts to allow the court to draw a reasonable inference that the defendant is liable. *Id.* A plaintiff need not provide detailed factual allegations, but must provide more than mere legal conclusions. *Twombly*, 550 U.S. at 555. But "[t]hreadbare recitals of the elements of a cause of action, supported by mere conclusory statements do not suffice." *Iqbal*, 556 U.S. at 678.

When ruling on a 12(b)(6) motion, the court must accept the allegations in the complaint as true and construe them in the light most favorable to the non-moving party. *Cahill v. Liberty Mut. Ins. Co.*, 80 F.3d 336, 337–38 (9th Cir. 1996). "Factual allegations must be enough to raise a right to relief above the speculative level." *Twombly*, 550 U.S. at 555. Dismissal is "appropriate only where the complaint lacks a cognizable legal theory or sufficient facts to support a cognizable legal theory." *Mendonado v. Centinela Hosp. Med. Ctr.*, 521 F.3d 1097, 1104 (9th Cir. 2008).

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**IV. DISCUSSION**

**A. Whether the Court May Consider this Motion Under Rule 12(g)(2)**

As a starting point, the Court first addresses Plaintiffs’ procedural argument: that Defendant has waived its right to bring this motion since it did not raise a failure-to-state-a-claim defense in its prior motion to dismiss under Rule 12(b)(2).

“Except as provided in Rule 12(h)(2) or (3), a party that makes a motion under this rule must not make another motion under this rule raising a defense or objection that was available to the party but omitted from its earlier motion.” Fed. R. Civ. P. 12(g)(2). If a defendant omits a defense under Rules 12(b)(2)–(5) from an earlier Rule 12 motion, those defenses are waived. Fed. R. Civ. P. 12(h)(1)(A).

But the omission of a defense under Rule 12(b)(6) is treated differently—it is not waived like the others. Instead, “[i]f a failure-to-state-a-claim defense under Rule 12(b)(6) was not asserted in the first motion to dismiss under Rule 12, Rule 12(h)(2) tells us that it can be raised, but only in a pleading under Rule 7, in a post-answer motion under Rule 12(c), or at trial.” *In re Apple iPhone Antitrust Litigation*, 846 F.3d 313, 318 (9th Cir. 2017).

The Ninth Circuit has counseled against rigid adherence to these procedures. *Id.* at 318–19. “Denying late-filed Rule 12(b)(6) motions and relegating defendants to the three procedural avenues specified in Rule 12(h)(2) can produce unnecessary and costly delays, contrary to the direction of Rule 1.” *Id.* at 319. District courts therefore have discretion to consider late-filed Rule 12(b)(6) motions. *Id.* (favorably citing district courts that have done so).

Here, strict application of Rule 12(h)(2) would produce unnecessary delay. As Defendant recognizes, if the Court were not to consider Defendant’s motion on this procedural ground, Defendant would just have to answer and then move for judgement on the pleadings under Rule 12(c). A Rule 12(c) motion is “functionally identical” to a Rule 12(b)(6) motion—the same judicial standard applies to both. *See Dworkin v. Hustler Mag., Inc.*, 867 F.2d 1188, 1192 (9th Cir. 1989). The Court sees no need for Defendant to jump through an extra procedural hurdle to end up in the same place.

The Court thus turns to the merits of Defendant’s motion.

**B. Merits**

One more technical point. Plaintiffs allege two separate trademark claims: (1) infringement under 15 U.S.C. §§ 1114(1) and 1125(a); and (2) false designation, false advertising, and unfair

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competition under § 1125(a). (FAC at 11–12). While Plaintiff these two claims are distinct, “[t]he ultimate test for unfair competition is exactly the same as for trademark infringement.” *Century 21 Real Est. Corp. v. Sandlin*, 846 F.2d 1175, 1178 (9th Cir. 1988); *see also Jada Toys, Inc. v. Mattel, Inc.*, 518 F.3d 628, 632 (9th Cir. 2008). The key question is “whether an alleged trademark infringer’s use of a mark creates a likelihood that the consuming public will be confused as to who makes what product.” *Brother Recs., Inc. v. Jardine*, 318 F.3d 900, 908 (9th Cir. 2003).

Because the same test applies to both claims, if the Court determines that Plaintiffs have sufficiently alleged a likelihood of confusion, both claims will survive the pleading stage.<sup>1</sup>

1. Likelihood of Confusion

To determine likelihood of confusion, courts employ an eight-factor test known as the *Sleekcraft* factors. *Network Automation, Inc. v. Advanced Sys. Concepts, Inc.*, 638 F.3d 1137, 1145 (9th Cir. 2011). These factors are: “(1) strength of the mark; (2) proximity of the goods; (3) similarity of the marks; (4) evidence of actual confusion; (5) marketing channels used; (6) type of goods and the degree of care likely to be exercised by the purchaser; (7) defendant’s intent in selecting the mark; and (8) likelihood of expansion of the product lines.” *Id.* The Ninth Circuit has cautioned against inflexible application of these factors; they should instead be applied “flexibly, particularly in the context of Internet commerce.” *Id.* at 1149. But before reaching these factors, the Court turns to relevant caselaw for guidance.

a. Relevant caselaw

Turn back the clock to the Internet’s nascent age—1999. In *Brookfield Commc’n, Inc. v. W. Coast Ent. Corp.*, 174 F.3d 1036 (9th Cir. 1999), the Ninth Circuit first tackled trademark claims in the digital context. There, the plaintiff alleged initial interest confusion because the defendants had included metatags of the plaintiff’s name into its website. *Id.* at 1061-62. Metatags are “code not visible to web users [that are] embedded in a website to attract search engines seeking to a corresponding keyword.” *Network Automation*, 638 F.3d at 1146 (summarizing *Brookfield*). By including the plaintiff’s name in its metatags, internet users who searched the plaintiff’s name in a search engine would return results for the defendant’s company as well as the plaintiff’s company. *Id.* The Ninth Circuit held that the use of

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<sup>1</sup> As an added point, for a claim for trademark infringement a party must allege “that it has a protectable ownership interest in the mark[.]” *Dep’t of Parks & Recreation v. Bazaar Del Mundo, Inc.*, 448 F.3d 1118, 1124 (9th Cir. 2006). Plaintiffs have adequately pled this element, and Defendant does not challenge its sufficiency.



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the plaintiff's name in the defendant's metatag was likely to cause initial interest confusion and was actionable. *Id.* "That is, by using [the plaintiff's] mark . . . to direct persons searching for [the plaintiff's] product to the [defendant's] site, [the defendant] derived an improper benefit from the goodwill [the plaintiff] developed in its mark." *Id.*

Just a few years later, the Ninth Circuit seemed to cabin *Brookfield's* holding. In *Playboy Enter., Inc. v. Netscape Commc'n Corp.*, 354 F.3d 1020, 1022 (9th Cir. 2004), the plaintiff brought a trademark infringement claim based on initial interest confusion that stemmed from the defendant's use of "keying." This practice allowed advertisers to display advertisements for other products based on certain "key words" inputted in a search engine. *Id.* at 1023. As applied to *Playboy*, the defendants had "keyed" the plaintiff's trademarked phrases: "playboy" and "playmate." *Id.* So when a user searched those terms, other companies' adult-oriented advertisements would show up, not just the plaintiff's. *Id.*

Judge Berzon explained that initial interest confusion should be found only when "the banner advertisements are not labeled or identified." *Id.* at 1036 (Berzon, J., concurring). She clarified that there is no initial interest confusion when a consumer "is never confused as to source or affiliation, but instead knows, or should know, from the outset that a product or web link is not related to that of the trademark holder because the list produced by the search engine so informs him." *Id.* "Therefore, it would be wrong to expand the initial interest confusion theory of infringement beyond the realm of the misleading and deceptive to the context of legitimate comparative and contextual advertising." *Network Automation*, 638 F.3d at 1148 (explaining Judge Berzon's concurrence in *Playboy*).

In 2011, the Ninth Circuit seemed to adopt Judge Berzon's approach in *Network Automation*. There, the Ninth Circuit overturned an injunction that had barred the defendant from purchasing keywords of plaintiff's trademark. *Id.* at 1154. As in *Playboy*, once a company bought these keywords, and an internet user searched that keyword in a search engine, that company's link would appear as a search result—although the result would be clearly marked as an advertisement. *Id.* at 1142–43. After applying the *Sleekcraft* factors, the Ninth Circuit held that the district court had improperly weighed certain factors and upon reexamination concluded that there was probably not a likelihood of confusion. *See id.* at 1154.

*b. Parties' arguments*

With this background in mind, the Court now turns to this case. The crux of Defendant's Motion is that even if it had included Plaintiff's marks in its metatags in Apple's Appstore and Google Play store along with Defendant's privacy policy, there is no likelihood of confusion since Defendant's website and app listings are clearly labeled with its own brand and mark—both of which are

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distinguishable from Plaintiffs'. As Defendant puts it, Plaintiffs "must demonstrate likely confusion, not mere diversion." (Mot. Dismiss at 9) (quoting *Network Automation*, 638 F.3d at 1149).

Plaintiffs counter that there is a strong likelihood of confusion because, at least in Apple's Appstore, their app is not listed. So when a user searches their trademarked terms, only Defendant's apps comes up as a result, not Plaintiffs'.

With all the relevant information at hand, the Court now analyzes the *Sleekcraft* factors to determine likelihood of confusion.

*c. Strength of the mark*

"The stronger a mark—meaning the more likely it is to be remembered and associated in the public mind with the mark's owner—the greater the protection it is accorded by the trademark laws." *Brookfield*, 174 F.3d at 1058. Conceptual strength and commercial strength are relevant measurements for a mark's strength. *Network Automation*, 638 F.3d at 1149. Conceptual strength asks whether a mark, going from weakest to strongest, is generic, descriptive, suggestive, or arbitrary. *Id.* It "depends largely on the obviousness of its connection to the good or service to which it refers." *Fortune Dynamic, Inc. v. Victoria's Secret Stores Brand Mgmt., Inc.*, 618 F.3d 1025, 1032–33 (9th Cir. 2010). "Commercial strength is based on 'actual marketplace recognition,' and thus 'advertising expenditures can transform a suggestive mark into a strong mark.'" *Network Automation*, 638 F.3d at 1149 (quoting *Brookfield*, 174 F.3d at 1058).

Here, Plaintiffs' marks of Seeking Arrangement, Seeking Millionaire, and Whats Your Price<sup>2</sup> are, at the very least, descriptive since they describe Plaintiffs' app's purpose—to arrange meetings and relationships with high-value partners. Plaintiffs also allege that they have invested substantial resources in these marks. The strength of the mark therefore favors Plaintiffs.

*d. Proximity of the goods*

"Related goods are generally more likely than unrelated goods to confuse the public as to the producers of the goods." *Brookfield*, 174 F.3d at 1055. This factor also favors Plaintiffs since both parties created apps to aid individuals in meeting partners with large amounts of money.

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<sup>2</sup> The FAC also lists Carrot Dating as a previously registered mark. Plaintiffs, however, cancelled that mark in January 2021.

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*e. Similarity of the marks*

“[T]he more similar the marks in terms of appearance, sound, and meaning, the greater the likelihood of confusion.” This factor favors Defendant since Defendant’s mark, “Luxy,” is dissimilar to Plaintiffs’ marks in appearance and sound.

*f. Evidence of actual confusion*

Given the case’s procedural posture, it makes sense that neither party has presented evidence of actual confusion. So the Court need not and does not consider this factor.

*g. Marketing channels*

Both parties use the same marketing channels: the Internet. Generally, this factor would be given little weight since almost all companies have their sites appear on search engine. But Plaintiffs’ inability to market in Apple’s Appstore gives this case an interesting wrinkle. On one hand, courts would have normally weighed this factor for Defendant since it is advertising in a *different* medium from Plaintiffs—at least with respect to Apple’s Appstore. *Network Automation*, 638 F.3d at 1151 (“Convergent marketing channels increase the likelihood of confusion.”).

But on the other hand, because of the Internet’s—and Apple’s Appstore, in particular—ubiquity with everyday life, users are more likely to believe that all companies are available in the Appstore. Thus, if users were looking for Plaintiffs’ app by typing Plaintiffs’ trademarked phrases into the search bar, and only Defendant’s app appeared, it would be reasonable for that user to, at the very least, associate Defendant’s app with Plaintiffs. Or, at the most, confuse Defendant’s app with Plaintiffs’. This situation is different from the websites in *Network Automation* and *Playboy*, which were clearly distinguished with ad designations. The search results here do not have those same disclaimers. (*See Ex. 11, ECF No. 58-11*).

The situation is even more precarious in the Google Playstore. There, both Plaintiffs’ and Defendant’s apps are available and neither have the ad label when searching Plaintiffs’ phrases. (*See Ex. 12, ECF No. 58-12*).

Taken together, this factor favors Plaintiffs in the *Sleekcraft* analysis.

*h. Type of goods and degree of care*

“[W]hen dealing with inexpensive products, customers are likely to exercise less care, thus making confusion more likely.” *Brookfield*, 174 F.3d at 1060. When purchasing more expensive

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products, however, consumers are more likely to exercise care—and are thus less easily confused. *Id.* The key question is how much care consumers will exercise when deciding to use these products.

This factor favors neither party. These types of apps attract two groups of people. The first group is, theoretically, more sophisticated and less likely to be confused since they are successful individuals looking for relationships. But second group, in theory, is less sophisticated and just looking to find a way to “hook up” with members of the first group. This latter group is less likely to exercise care in which app they select to find potential mates. With potential members on both sides of the relationship equation, this factor does not favor either Plaintiffs or Defendant.

*i. Defendant’s intent*

“When the alleged infringer knowingly adopts a mark similar to another’s, reviewing courts presume that the defendant can accomplish his purpose: that is, that the public will be deceived.” *Network Automation*, 638 F.3d at 1153 (*quoting* *Sleekcraft*, 599 F.2d at 354). Still, courts have “recognized that liability for infringement may not be imposed for using a registered trademark in connection with truthful comparative advertising.” *Lindy Pen Co., Inc. v. Bic Pen Corp.*, 725 F.2d 1240, 1248 (9th Cir. 1984).

As alleged, Defendant intended to use Plaintiffs’ mark in its metatags so its app would appear in search results. And, at least with Apple’s Appstore, one cannot compare Plaintiffs’ app with Defendant’s as Plaintiff’s app is not on the Appstore. This factor therefore favors Plaintiff, although very slightly.

*j. Result*

Weighing these factors, the Court concludes that Plaintiffs have *alleged* enough likelihood of confusion to make it past the pleading stage. The Court therefore declines to dismiss the trademark infringement and unfair competition claims for now.

2. Counterfeiting Claim

“Counterfeiting is the act of producing or selling a product with a sham trademark that is an intentional and calculated reproduction of the genuine trademark.” McCarthy on Trademarks and Unfair Competition § 25:10 (5th ed.). Put another way, counterfeiting is the “‘hard core’ or ‘first degree’ of trademark infringement that seeks to trick the consumer into believing he or she is getting the genuine article, rather than a ‘colorable imitation.’” *Id.*

Defendant argues that the Court should dismiss Plaintiffs’ counterfeiting claim because the use of metatags is not counterfeiting as a matter of law, citing *Boost Beauty, LLC v. Woo Signatures, LLC*,



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2:18-cv-02960-CAS(Ex), 2019 WL 560277 (C.D. Cal. Feb. 11, 2019). There, the plaintiff created an eyelash enhancement product called BoostLash and trademarked its name. *Id.* at \*2. The defendant, who also created an eyelash product, allegedly “purchased the Google AdWords ‘boost’ and ‘lash’ together in that order as a search engine advertisement to drive traffic to their website.” *Id.* at \*3. The plaintiff sued for trademark infringement and counterfeiting, and the defendant moved to dismiss. *Id.* at \*4–5. As to the counterfeiting claim, the district court reasoned that “[a]t the heart of counterfeiting . . . is a good that has been copied and which has been sold, offered for sale, or distributed with a counterfeit mark.” *Id.* at \*6. Thus, to succeed on a counterfeiting claim, “[a] defendant must allegedly have ‘applied the mark’ to its product . . . .” *Id.* But since the plaintiff confirmed that its claim hinged on the defendants’ use of the plaintiff’s mark as an internet search term, the district court held that such use was not counterfeiting as a matter of law. *Id.* at \*7.

While much of the district court’s reasoning in *Boost Beauty* is persuasive, the Court need not reach this issue at this time. Instead, the matter would be better addressed at the summary judgment stage with further briefing. So the Court declines to dismiss Plaintiffs’ counterfeiting claim right now.

3. *Defendant’s State Law Claims and Preemption*

Defendant argues that Plaintiffs’ state law claims must be dismissed because they are preempted by the Copyright Act. But Defendant’s reasoning rests only on the contention that Plaintiffs “trademarks claims are to be dismissed with prejudice.” (Mot. Dismiss at 18). Since the Court has declined to dismiss the trademark infringement claims, it need not dismiss the state law claims at this time.

**V. CONCLUSION**

For the foregoing reasons, the Court **DENIES** Defendant’s Motion.

**IT IS SO ORDERED.**

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Initials of Preparer

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