

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF SOUTH CAROLINA

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U.S. DISTRICT COURT
DISTRICT OF SOUTH CAROLINA
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Hilton Head Island Development Company,)
LLC and Coral Resorts, LLC,)
)
Plaintiffs,)
)
v.)
)
Joseph DuBois, Zach Naert, and Naert)
and DuBois, LLC,)
)
Defendants.)
_____)

No. 9:13-cv-3510-RMG

ORDER

This matter is before the Court on Defendants’ motion to dismiss pursuant to Federal Rule of Civil Procedure 12(b)(6). (Dkt. No. 16, 26). For the reasons set forth below, the Court denies the motion.

Background

Plaintiffs are vacation time share developers on Hilton Head Island, South Carolina, which operate four time share resorts, Port O’Call, Island Links, Coral Reef, and Coral Sands. (Dkt. No. 20 at ¶¶ 9-13). Plaintiffs market the resorts collectively under the name “Coral Resorts.” (*Id.* at ¶ 12). Defendants are two Hilton Head Island attorneys and their law firm. (*Id.* at ¶¶ 22, 23). Defendants advertise one of their primary practice areas as “timeshare litigation.” (*Id.* at ¶ 24). This case arises from Defendants’ allegedly improper purchase of certain Google “AdWords”¹ and other Search Engine Marketing services. (*Id.* at ¶¶ 26, 27). Plaintiffs allege

¹ The Fourth Circuit has provided a useful summary of this service:

Google operates one of the world’s most popular Internet search engines—programs that enable individuals to find websites and online content, generally through the use of a “keyword” search. When an Internet user enters a word or phrase—the keyword or keywords—into Google’s search engine, Google returns a results list of links to websites that the search engine has determined to be relevant based on a proprietary algorithm.

that they own or control the following marks: “Coral Resorts,” “Coral Reef,” “Coral Sands,” “Island Links,” “Port O’Call,” and “Hilton Head Island Development Company;” and that Defendants improperly purchased these marks from Google’s AdWords and other services to link to their firm’s website. (*Id.* at ¶ 28). Plaintiffs assert four causes of action against Defendants in their Amended Complaint: False Designation of Origin/Unfair Competition in violation of 15 U.S.C. § 1125(a)(1)(A); False Advertising in violation of 15 U.S.C. § 1125(a)(1)(B); Service Mark Infringement in violation of S.C. Code § 39-15-1160; and Injunction. Defendants have moved to dismiss the Amended Complaint, (Dkt. No. 16, 26), Plaintiffs have filed a response, (Dkt. Nos. 25, 28), and Defendants have filed a reply, (Dkt. No. 29).

Legal Standard

Rule 12(b)(6) of the Federal Rules of Civil Procedure permits the dismissal of an action if the complaint fails “to state a claim upon which relief can be granted.” Such a motion tests the

In addition to the natural list of results produced by the keyword search, Google’s search engine also displays paid advertisements known as “Sponsored Links” with the natural results of an Internet search. Google’s AdWords advertising platform permits a sponsor to “purchase” keywords that trigger the appearance of the sponsor’s advertisement and link when the keyword is entered as a search term. In other words, an advertiser purchases the right to have his ad and accompanying link displayed with the search results for a keyword or combination of words relevant to the advertiser’s business. Most sponsors advertising with Google pay on a “cost-per-click” basis, meaning that the advertiser pays whenever a user of Google’s search engine clicks on the sponsored link.

Google displays up to three sponsored links in a highlighted box immediately above the natural search results, and it also displays sponsored links to the right of the search results, but separated by a vertical line. As this suggests, more than one sponsor can purchase the same keyword and have a link displayed when a search for that keyword is conducted. Would-be advertisers purchase their desired keywords through an auction where advertisers bid competitively against each other for page position on the search results page. Generally speaking, users of the Internet are apparently more likely to click on ads that appear higher up on the search results page. Accordingly, an advertiser will try to outbid its competitors for the top positions in order to maximize the number of clicks on the advertiser’s text ads. For the advertiser, more clicks yield increased web traffic, which means more potential website sales. Google, in turn, benefits by placing the most relevant ads in the most desirable locations, which increases the likelihood of a high click-through rate and leads to increased advertising revenue.

Rosetta Stone Ltd. v. Google, Inc., 676 F.3d 144, 150-51 (4th Cir. 2012).

legal sufficiency of the complaint and “does not resolve contests surrounding the facts, the merits of the claim, or the applicability of defenses. . . . Our inquiry then is limited to whether the allegations constitute ‘a short and plain statement of the claim showing that the pleader is entitled to relief.’” *Republican Party of N.C. v. Martin*, 980 F.2d 943, 952 (4th Cir. 1992) (quotation marks and citation omitted). In a Rule 12(b)(6) motion, the Court is obligated to “assume the truth of all facts alleged in the complaint and the existence of any fact that can be proved, consistent with the complaint’s allegations.” *E. Shore Mkts., Inc. v. J.D. Assocs. Ltd. P’ship*, 213 F.3d 175, 180 (4th Cir. 2000). However, while the Court must accept the facts in a light most favorable to the non-moving party, it “need not accept as true unwarranted inferences, unreasonable conclusions, or arguments.” *Id.*

To survive a motion to dismiss, the complaint must state “enough facts to state a claim to relief that is plausible on its face.” *Bell Atl. Corp. v. Twombly*, 550 U.S. 544, 570 (2007). Although the requirement of plausibility does not impose a probability requirement at this stage, the complaint must show more than a “sheer possibility that a defendant has acted unlawfully.” *Ashcroft v. Iqbal*, 556 U.S. 662, 678 (2009). A complaint has “facial plausibility” where the pleading “allows the court to draw the reasonable inference that the defendant is liable for the misconduct alleged.” *Id.*

Discussion

After careful review of the arguments of counsel and the applicable law, the Court finds that Defendants’ motion to dismiss must be denied.

Defendants assert that Plaintiffs’ claim for false designation of origin under 15 U.S.C. § 1125(a)(1)(A) must be dismissed.² To state a claim for false designation of origin, a plaintiff must allege: “(1) that it possesses a mark; (2) that the [opposing party] used the mark; (3) that the

² Defendants do not address Plaintiffs’ claim for False Advertising in violation of 15 U.S.C. § 1125(a)(1)(B).

[opposing party's] use of the mark occurred 'in commerce'; (4) that the [opposing party] used the mark 'in connection with the sale, offering for sale, distribution, or advertising' of goods or services; and (5) that the [opposing party] used the mark in a manner likely to confuse consumers." *Lamparello v. Falwell*, 420 F.3d 309, 313 (4th Cir. 2005) (quoting *PETA v. Doughney*, 263 F.3d 359, 364 (4th Cir. 2001)).

Defendants argue that Plaintiffs have not plausibly alleged the first, second, third, and fifth elements of this cause of action. Defendants assert that Plaintiffs cannot satisfy the first element because the "marks" allegedly violated are not valid or registered trademarks. However, an unregistered mark can be protected by 15 U.S.C. § 1125(a)(1)(A) if it would qualify for registration as a trademark. *Two Pesos Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 768 (1992); *Perini Corp. v. Perini Const., Inc.*, 915 F.2d 121, 124 (4th Cir. 1990). Plaintiffs bear the burden of showing whether a mark would qualify for registration, *Schreiber v. Dunabin*, 938 F. Supp. 2d 587, 598 (E.D. Va. 2013), and this can be a complex analysis, *see Perini Corp.*, 915 F.2d at 124-25. However, Defendants have not argued whether the alleged marks would qualify for registration and the Court therefore will not address it here. The Court therefore finds that, taking the allegations of the Amended Complaint as true, that Plaintiffs have satisfied this first element.

Defendants next assert that they have not "used" the alleged marks "in commerce" within the meaning of 15 U.S.C. § 1125(a)(1)(A). In a similar case, the Eastern District of Virginia held that Google "used in commerce" a trademark under this statute when it sold it as an AdWord keyword. *Gov't Emps. Ins. Co. v. Google, Inc.*, 330 F. Supp. 2d 700 (E.D. Va. 2004). Specifically, that court held that Google used the trademark "GEICO" when it allowed customers to purchase advertising linked to the trademark. *Id.* The Second Circuit reached the same

conclusion in *Rescuecom Corp. v. Google, Inc.*, 562 F.3d 123 (2d Cir. 2009). Here, Plaintiffs are suing the purchaser of the keywords and not Google, the seller. Nevertheless, the Court finds these cases persuasive. Defendants are purchasing the alleged trademarks of Plaintiffs in order to direct more potential clients to their own website. See *Allied Interstate LLC v. Kimmel & Silverman P.C.*, No. 12 Civ 4201(LTS)(SN), 2013 WL 4245987, at *3 (S.D.N.Y. Aug. 12, 2013) (finding attorneys' purchase of trademarked AdWords is a "use in commerce") (citing *CJ Prods. LLC v. Smuggly Plushez LLC*, 809 F. Supp. 2d 127, 158 (E.D.N.Y. 2011)). Therefore, the Court finds this is a use in commerce within the meaning of 15 U.S.C. § 1125(a)(1)(A).

Defendants also argue that Plaintiffs have not plausibly alleged a likelihood of confusion and point to the nine-factor test articulated by the Fourth Circuit for conducting such an inquiry. *Rosetta Stone Ltd. v. Google, Inc.*, 676 F.3d 144, 153 (4th Cir. 2012). Particularly, Defendants argue with some force that there is no chance for consumer confusion because their services do not overlap with Plaintiffs': Defendants are lawyers and their law firm and Plaintiffs sell timeshares. Indeed, it appears plain from the Amended Complaint that Defendants are seeking to attract Plaintiffs' unhappy customers in order that those customers may consider retaining Defendants to sue Plaintiffs. (Dkt. No. 20 at ¶ 40) ("The Defendants' advertisement that appears on these engines' websites contains one of the following headlines: a. 'Ripped Off? Lied To? Scammed?' b. 'Timeshare Attorney HHI, SC – Ripped off on Hilton Head Island?"). Plaintiffs resist this argument by referencing an expert affidavit of a sociologist attached to the Amended Complaint which supports Plaintiffs' argument that confusion can result from Defendants' search engine advertising practice. (Dkt. No. 20-1). In the final analysis, the Court finds that, while Defendants' arguments as to confusion are not without merit, that the issue is an "inherently factual" one which is more appropriately determined after the record is developed.

See *Rosetta Stone*, 676 F.3d at 153. Taking Plaintiffs' allegations as true, the Court finds that Plaintiffs have sufficiently pled this element of their claim. Therefore, the Court denies Defendants' motion to dismiss Plaintiffs' claim for false designation of origin under 15 U.S.C. § 1125(a)(1)(A).

Defendants also argue that Plaintiffs' state law claims must be dismissed. Specifically, Defendants argue that Plaintiffs' claims under S.C. Code § 39-15-1160 should be dismissed because there is no chance for confusion and because Defendants did not use the marks with any intent to cause confusion. These arguments mirror those raised against Plaintiffs' false designation of origin claim and are denied for the same reasons as discussed above.

Finally, Defendants assert that Plaintiffs have failed to state a cause of action for injunction. However, "[w]hile the claim for injunctive relief is set out as a separate cause of action, it is really nothing more than a form of possible relief that can be awarded once a party has prevailed on another cause of action." *Housecalls Home Health Care, Inc. v. U.S. Dep't of Health & Human Servs.*, 515 F. Supp. 2d 616, 627 n.6 (M.D.N.C. 2007). Because the Court has not dismissed any of Plaintiffs' causes of action, it does not dismiss the claim for injunctive relief.

Conclusion

For the reasons set forth above, the Court denies Defendants' motion to dismiss. (Dkt. Nos. 16, 26).

AND IT IS SO ORDERED.



Richard Mark Gergel
United States District Court Judge

July 1, 2014
Charleston, South Carolina