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5 UNITED STATES DISTRICT COURT  
6 EASTERN DISTRICT OF CALIFORNIA  
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8 WEBQUEST.COM, INC.,

9 Plaintiff,

10 v.

11 HAYWARD INDUSTRIES, INC.,

12 Defendant.  
13

1:10-cv-00306-OWW-JLT

MEMORANDUM DECISION REGARDING  
MOTION FOR JUDGMENT ON THE  
PLEADINGS (Doc. 25); MOTION TO  
DISMISS COUNTERCLAIM (Doc.  
30); AND MOTION FOR SANCTIONS  
(Doc. 29)

14 I. INTRODUCTION.

15 WebQuest.com, Inc., ("Plaintiff") proceeds with this action  
16 for declaratory relief against Hayward Industries, Inc.  
17 ("Defendant") arising out of a domain name dispute. On April 26,  
18 2010, Defendant filed a counterclaim against Plaintiff. (Doc. 10).

19 Defendant filed a motion for judgment on the pleadings on June  
20 29, 2010. (Doc. 20). Plaintiff filed opposition to Defendant's  
21 motion for judgment on August 30, 2010. (Doc. 25). On August 31,  
22 2010, Plaintiff filed a motion for sanctions in connection with  
23 Defendant's motion for judgment on the pleadings. (Doc. 29).  
24 Plaintiff also filed a motion to dismiss Defendant's counterclaim.  
25 (Doc. 30).

26 Defendant filed opposition to Plaintiff's motion to dismiss  
27 and motion for sanctions on October 12, 2010. (Doc. 35).  
28 Defendant filed a reply to Plaintiff's opposition to the motion for

1 judgment on the pleadings on October 12, 2010. (Doc. 36).

2 On October 15, 2010, Plaintiff filed a reply to Defendant's  
3 opposition to the motion to dismiss and a reply to Defendant's  
4 opposition to the motion for sanctions. (Docs. 41, 42).

5 **II. FACTUAL BACKGROUND.**

6 Plaintiff is a domain name investment company with a portfolio  
7 of thousands of domain names. On or about July 31, 2006, Plaintiff  
8 purchased the domain name "Hayward.com" from Hayward & Associates,  
9 Inc., a Georgia-based IT company. Plaintiff had previously  
10 registered the "wwwHayward.com" domain name on August 14, 2004.  
11 Plaintiff alleges that at the time that Plaintiff registered the  
12 Hayward domain names ("Domain Names"), it had never heard of  
13 Defendant, Hayward Industries. Plaintiff states it did not  
14 register the Domain Names with the intent to sell them to Hayward  
15 Industries, and Plaintiff never offered to sell the Domain Names to  
16 Hayward Industries. Plaintiff alleges it obtained the  
17 "Hayward.com" domain name because of Hayward's geographic  
18 significance as a city in the Bay Area of Northern California.  
19 After registering the Domain Names, Plaintiff used them in  
20 connection with pay-per-click advertising. A domain name  
21 monetization company, Domain Sponsor, supplied the content for the  
22 Hayward Sites.

23 Defendant is a manufacturer and seller of pool equipment and  
24 related supplies. Defendant has been the owner of the trademark  
25 HAYWARD since February 8, 1977. Hayward has registered numerous  
26 domain names incorporating the HAYWARD mark, such as  
27 "haywardnet.com" and "haywardpoolproducts.com." Hayward uses the  
28 domain name "haywardnet.com" for the uniform resource locator

1 ("URL") of its primary company website devoted to advertising and  
2 promoting the swimming pool controls, filters, heaters, pumps,  
3 valves, automatic pool cleaners, and related products that the  
4 company manufactures and sells.

5 Immediately after Plaintiff acquired "Hayward.com" on July 31,  
6 2006, Defendant sent Plaintiff a cease and desist letter, dated  
7 August 1, 2006, accusing Plaintiff of willful infringement and  
8 dilution of Hayward's trademarks, and demanding that Plaintiff  
9 transfer "Hayward.com" to Defendant. By letter dated August 4,  
10 2006, Plaintiff denied the allegations. In that letter, Plaintiff  
11 informed Hayward Industries that it was the registrant of a  
12 portfolio of Northern California geo domain names, including  
13 "Hayward.com", "CastroValley.com", and "Pleasanton.com." From  
14 August 2006 to November 3, 2009, Plaintiff received no  
15 correspondence from Defendant.

16 Defendant filed a Complaint with the World Intellectual  
17 Property Organization ("WIPO") on or about November 3, 2009.  
18 Proceedings commenced on November 18, 2009, and a decision was  
19 issued on January 27, 2010 ordering Plaintiff to transfer the  
20 Domain Names to Defendant.

### 21 **III. DISCUSSION.**

#### 22 **A. Plaintiff's Motion to Dismiss Defendant's Counter-Claims**

23 Plaintiff seeks dismissal of Defendant's counter-claims on the  
24 grounds that Defendant violated Rule 8 of the Federal Rules of  
25 Civil Procedure by attaching over one-hundred pages of exhibits to  
26 its pleading. Alternatively, Plaintiff moves to strike the  
27 exhibits attached to Defendants' counter claim pursuant to Rule  
28 12(f) of the Federal Rules of Civil Procedure.

1 A district court has discretion to dismiss a claim due to a  
2 party's excessive attachment of unnecessary exhibits. See, e.g.,  
3 *Hatch v. Reliance Ins. Co.*, 758 F.2d 409, 415 (9th Cir. 1985)  
4 (noting that district court did not abuse discretion in dismissing  
5 complaint that included over 70 pages of exhibits). Here, because  
6 the voluminous exhibits attached to Defendant's counter-claim do  
7 not render the claim confusing or otherwise violative of Rule 8,  
8 dismissal is not warranted. Further, Plaintiff was not prejudiced  
9 by Defendant's attachment of the exhibits, as they have no  
10 evidentiary value. Plaintiff's motion to dismiss Defendant's  
11 counter-claim is DENIED.

12 A district court also has discretion to strike any immaterial  
13 or impertinent matter from a pleading. Fed. R. Civ. P. 12(f).  
14 Although documentary evidence may be incorporated into a pleading  
15 pursuant to Rule 10 of the Federal Rules of Civil Procedure,  
16 exhibits containing largely evidentiary material typically do not  
17 fall within the purview of Rule 10. See *United States v. Ritchie*,  
18 342 F.3d 903, 908 (9th Cir. 2003). Save for Exhibit A, all of the  
19 exhibits Defendant attached to its counter-claim constitute  
20 unnecessary evidentiary materials.<sup>1</sup> See *id.* The documents are not  
21 authenticated. Plaintiff's motion to strike is GRANTED.

22 **B. Defendant's Motion for Judgment on the Pleadings**

23 Defendant contends it is entitled to judgment on the pleadings  
24 with respect to its counter-claim under 15 U.S.C. § 1125(d). In  
25 order to prevail on a claim under section 1125(d), Defendant must  
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27 <sup>1</sup> Although Plaintiff's motion to strike is untimely, the court has  
28 discretion to strike these materials *sua sponte*. Fed. R. Civ. P. 12.

1 establish that (1) Defendant is the holder of a distinctive mark  
2 that is entitled to protection; (2) the domain names registered by  
3 Plaintiff are identical or confusingly similar to Defendant's mark;  
4 (3) Plaintiff registered the domain names with a bad faith intent  
5 to profit from them. See, e.g., *Lahoti v. VeriCheck, Inc.*, 586  
6 F.3d 1190, 1197 (9th Cir. 2009). Because whether Plaintiff acted  
7 with a bad faith intent to profit from Defendant's mark is a  
8 factual question, judgment on the pleadings is typically  
9 inappropriate.

10 Section 1125(d)(1)(B)(i) sets forth nine non-exclusive  
11 criteria a court may consider in assessing whether a party acted in  
12 bad faith. "The first four factors are those that militate against  
13 a finding of bad faith by providing some reasonable basis for why  
14 a defendant might have registered the domain name of another mark  
15 holder." *Lucas Nursery & Landscaping, Inc. v. Grosse*, 359 F.3d  
16 806, 809 (6th Cir. 2004). A court may consider:

17 (I) the trademark or other intellectual property rights  
18 of the person, if any, in the domain name;

19 (II) the extent to which the domain name consists of the  
20 legal name of the person or a name that is otherwise  
21 commonly used to identify that person;

22 (III) the person's prior use, if any, of the domain name  
23 in connection with the bona fide offering of any goods or  
24 services;

25 (IV) the person's bona fide noncommercial or fair use of  
26 the mark in a site accessible under the domain name

27 15 U.S.C. § 1125(d)(1)(B)(i). Defendant contends that each of  
28 these factors weighs in favor of finding Plaintiff acted in bad  
faith, because Plaintiff has no trademark or other intellectual  
property rights in the domain name, has never been known as  
"Hayward," had no prior use of the domain name in connection with

1 a bona fide offering of goods or services, and never developed the  
2 website beyond placing pay-per-click advertising links on the site.

3 Defendant also contends that the fifth, sixth, eighth, and  
4 ninth factors listed in section 1125(d)(1)(B)(i) also support a  
5 finding of bad faith. The fifth factor concerns a persons "intent  
6 to divert customers from the mark owner's online location to a site  
7 accessible under the domain name." The pleadings do not establish  
8 that Plaintiff "intended" to divert customers from Defendant's  
9 website; to the contrary, the complaint alleges that Plaintiff had  
10 never heard of Defendant at the time it registered the Domain  
11 Names.<sup>2</sup>

12 The sixth factor set forth in section 1125(d)(2)(B)(i) states  
13 that courts may consider:

14 the person's offer to transfer, sell, or otherwise assign  
15 the domain name to the mark owner or any third party for  
16 financial gain without having used, or having an intent  
17 to use, the domain name in the bona fide offering of any  
18 goods or services, or the person's prior conduct  
19 indicating a pattern of such conduct;

20 15 U.S.C. § 1125(d)(1)(B)(i). Defendant correctly notes that  
21 Plaintiff's complaint alleges that it offered to sell the Domain  
22 Names at a public auction.

23 The eighth factor under 1125(d)(1)(B)(i) provides that  
24 the person's registration or acquisition of multiple  
25 domain names which the person knows are identical or  
26 confusingly similar to marks of others that are  
27 distinctive at the time of registration of such domain  
28 names, or dilutive of famous marks of others that are

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<sup>2</sup> Defendant's attempt to rely on exhibits to the counter-claim to establish that Plaintiff's website has led to confusion demonstrates the impropriety of deciding this issue at the pleading stage. Likelihood of confusion is a factual issue. *Green v. Fornario*, 486 F.3d 100, 106 (3rd Cir. 2007).

1 famous at the time of registration of such domain names,  
2 without regard to the goods or services of the parties  
3 may evince bad faith. *Id.* This factor is of no help to Defendant,  
4 as Plaintiff's complaint alleges that it had never heard of  
5 Defendant at the time it registered the Domain Names.

6 Finally, the ninth factor concerns "the extent to which the  
7 mark incorporated in the person's domain name registration is or is  
8 not distinctive and famous within the meaning of [section  
9 1125(c)]." *Id.* Defendant argues that because it holds a trademark  
10 for "HAYWARD," the mark is presumed distinctive and thus that  
11 Plaintiff's use of the mark within the Domain Names evinces bad  
12 faith. *See Lahoti*, 586 F.3d at 1199 ("Federal trademark  
13 registration of a particular mark supports the distinctiveness of  
14 that mark, because the PTO should not otherwise give it  
15 protection"). However, as *Lahoti* makes clear, registration alone  
16 is not always sufficient to establish distinctiveness. *See id.*  
17 ("Registration alone *may* be sufficient in an *appropriate case* to  
18 satisfy a determination of distinctiveness) (emphasis added).  
19 Further, Defendant does not contend, and the pleadings do not  
20 establish, that HAYWARD is "famous" within the meaning of section  
21 1125(c).

22 Although the parties' pleadings assert that several of the  
23 factors listed in section 1125(d)(2)(B)(i) support a finding that  
24 Plaintiff acted in bad faith, mechanistic application of the  
25 criteria set forth in section 1125 is neither required nor  
26 appropriate in a case in which a party's intent is subject to  
27 dispute. As the Fourth Circuit Court of Appeal explained in *Lucas*  
28 *Nursery*,

1 The role of the reviewing court is not simply to add  
2 factors and place them in particular categories, without  
3 making some sense of what motivates the conduct at issue.  
4 The factors are given to courts as a guide, not as a  
5 substitute for careful thinking about whether the conduct  
6 at issue is motivated by a bad faith intent to profit.

7 359 F.2d at 811. Bad faith under section 1125(d) is rarely  
8 discernible directly and typically must be inferred from pertinent  
9 facts and circumstances. See *Audi AG v. D'Amato*, 469 F.3d 534 549  
10 (6th Cir. 2006). Where it is unclear how well-recognized a mark  
11 is, discovery is important in order to allow factual development of  
12 the pertinent facts and circumstances relevant to the issue of an  
13 entity's bad faith. See *Green*, 486 F.3d at 107.

14 Here, Plaintiff's motivation for registering the Domain Names  
15 is subject to a factual dispute. Whether or not Defendant acted  
16 with bad faith intent within the meaning of section 1125(d)  
17 presents a question of fact that is not resolvable as a matter of  
18 law on a motion for judgment on the pleadings. Plaintiff contends  
19 that it registered the Domain Names because of the geographic  
20 significance of Hayward as a city in the Bay Area of Northern  
21 California. (Comp. at 7). Accepting the allegations of the  
22 complaint as true, Plaintiff's activity does not as a matter of law  
23 establish the quintessential case of bad faith intent to profit  
24 contemplated by section 1125. See, e.g., *Utah Lighthouse Ministry*  
25 *v. Found. for Apologetic Info. & Research*, 527 F.3d 1045, 1058  
26 (10th Cir. 2008) ("quintessential example of a bad faith intent to  
27 profit is when a defendant purchases a domain name very similar to  
28 the trademark and then offers to sell the name to the trademark  
owner at an extortionate price...[or] intend[s] to profit by  
diverting customers from the website of the trademark owner to the

1 defendant's own website, where those consumers would purchase the  
2 defendant's products or services instead of the trademark  
3 owner's"); *Bosley Med. Inst., Inc. v. Kremer*, 403 F.3d 672, 680  
4 (9th Cir. 2005) (same); *Lucas Nursery*, 359 F.3d at 810 ("the  
5 crucial elements of bad faith to mean an 'intent to trade on the  
6 goodwill of another's mark'"); *Coca-Cola Co. v. Purdy*, 382 F.3d  
7 774, 779 (8th Cir. 2004) (noting significance of evidence  
8 establishing "bad faith intent to profit from [trademark holder's]  
9 mark"); see also *Savin Corp. v. Savin Group*, 391 F.3d 439, 460 (2nd  
10 Cir. 2005) (affirming finding of no bad faith in trademark action  
11 where evidence established defendant had no knowledge of trademark  
12 holder's existence at the time defendant adopted mark). Defendant  
13 cites no authority for the proposition that bad faith may be found  
14 despite an entity's lack of knowledge of a trademark holder's  
15 existence.

16 **C. Plaintiff's Motion for Sanctions**

17 Plaintiff seeks sanctions against Defendant on the grounds  
18 that Defendant's motion for judgment on the pleadings violates Rule  
19 11 of the Federal Rules of Civil Procedure. Although Defendant's  
20 motion for judgment borders on the frivolous, it is not so devoid  
21 of merit that it violates Rule 11. Plaintiff's motion for  
22 sanctions is DENIED.

23 **ORDER**

24 For the reasons stated, IT IS ORDERED:

- 25 1) Plaintiff's motion to dismiss Defendant's counterclaim is  
26 DENIED;
- 27 2) Plaintiff's motion to strike all exhibits from Defendant's  
28 counterclaim, with the exception of Exhibit A, is GRANTED;

1 3) Plaintiff's motion for sanctions is DENIED;

2 4) Defendant's motion for judgement on the pleadings is  
3 DENIED;

4 5) Defendant shall lodge a formal order consistent with this  
5 decision within five (5) days following electronic service of  
6 this decision by the clerk. Plaintiff shall file an amended  
7 complaint within fifteen (15) days of the filing of the order.  
8 Defendant shall file a response within fifteen (15) days of  
9 receipt of the amended complaint.

10  
11 IT IS SO ORDERED.

12 **Dated: November 8, 2010**

**/s/ Oliver W. Wanger**  
**UNITED STATES DISTRICT JUDGE**