

IN THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF ARKANSAS
FAYETTEVILLE DIVISION

U. S. DISTRICT COURT
WESTERN DISTRICT ARKANSAS
FILED

MAR 09 2006
CHRIS R. JOHNSON, CLERK

BY
DEPUTY CLERK

WAL-MART STORES, INC.,)
)
Plaintiff,)
)
vs.)
)
VALUECLICK, INC. and VC E-COMMERCE)
SOLUTIONS, INC.,)
)
Defendants.)

Case No. 05-5189

AMENDED COMPLAINT

NOW COMES Plaintiff, Wal-Mart Stores, Inc. ("Wal-Mart"), by and through its counsel, and files this amended complaint for trademark infringement, false association, false advertising, false designation of origin, false representation, dilution, and unfair competition pursuant to 15 U.S.C. § 1051 *et seq.*, and trademark infringement, trademark dilution, deceptive trade practices, and unfair competition under Ark. Code Ann. § 4-71-101 *et seq.*, Ark. Code Ann. § 4-88-101 *et seq.*, and the common law of Arkansas as hereinafter more fully described:

I. THE PARTIES

1. Plaintiff Wal-Mart is a Delaware corporation having a principal place of business at 702 S.W. 8th St., Bentonville, AR 72716-0215.

2. Defendant ValueClick, Inc. ("ValueClick") is a Delaware corporation having a principal place of business at 30699 Russell Ranch Road, Suite 250, Westlake Village,

CA 91362 and upon information and belief, also operates at 22647 Ventura Blvd., Suite 258, Woodland Hills, CA 91364.

3. Upon information and belief, Defendant VC E-Commerce Solutions, Inc. (“VCES”) is a subsidiary of ValueClick. Upon information and belief, VCES is a California corporation having a principal place of business at 22647 Ventura Blvd., Suite 258, Woodland Hills, CA 91364.

4. Upon information and belief, ValueClick and/or VCES (collectively “Defendants”) do business as and have registered at least the domain names:

rewardsgateway.com	marketbrandresearch1.com
memberpromotions.com	memberrewardcenter.com
promotionsgateway.com	consumerpromotioncenter.com
consumerrewardzone.com	consumerpromotionzone.com
consumerincentivezone.com	

(collectively “Defendants’ Internet Sites”).

II. JURISDICTION AND VENUE

5. The Amended Complaint sets forth claims for trademark infringement, false association, false advertising, false designation of origin, false representation, dilution, and unfair competition arising under 15 U.S.C. § 1051 *et seq.*, as well as trademark infringement, trademark dilution, deceptive trade practices, and unfair competition under Ark. Code Ann. § 4-71-101 *et seq.*, Ark. Code Ann. § 4-88-101 *et seq.*, and the common law of Arkansas. The Court has jurisdiction over the subject matter of these claims based on 28 U.S.C. §§ 1331 and 1338(a) and (b), §1367, and §1332 because the matter in controversy exceeds \$75,000, exclusive of interest and costs, and is between citizens of different states. This Court has

supplemental jurisdiction, pursuant to 28 U.S.C. § 1367(a), over the state law claims asserted herein.

6. Venue is proper under 28 U.S.C. § 1391 as Defendants transact and conduct business through Defendants' Internet Sites in this District and are therefore subject to personal jurisdiction in this District.

III. BACKGROUND

A. **Plaintiff's Service Mark Rights**

7. Wal-Mart is the world's largest retailer. Wal-Mart operates approximately 1,209 Wal-Mart stores and 1,980 Wal-Mart Supercenters, among others, throughout the United States and 2,329 Wal-Mart stores and Supercenters internationally. Since at least 1962, Wal-Mart has operated under the WAL-MART® service mark and has continuously and exclusively used the WAL-MART® mark for retail services. Wal-Mart has received various registrations of the famous WAL-MART® service mark from the United States Patent and Trademark Office, such as, for example, U.S. Registration Number 1,783,039 and a stylized version at U.S. Registration Number 2,891,003 (*see* Exhibit 1). Moreover, Wal-Mart utilizes other service marks in connection with its retail store services such as the famous ALWAYS® mark, U.S. Registration No. 1,837,136 (*see* Exhibit 1) (hereafter "Wal-Mart Marks"). Wal-Mart also makes extensive use of the internet and operates websites at various locations including www.wal-mart.com, www.walmartfacts.com, and www.walmartstores.com.

8. In addition to operating Wal-Mart stores and Supercenters, Wal-Mart owns and operates members-only Sam's Club stores in the United States and internationally.

Wal-Mart operates approximately 567 Sam's Club stores in the United States and has over 46 million members. Wal-Mart uses the SAM'S CLUB® mark extensively on all of its Sam's Club buildings, advertising and community support programs associated with its Sam's Club stores, as well as on a wide variety of products. Since at least 1990, Wal-Mart has operated under the SAM'S CLUB® service mark and has continuously and exclusively used the SAM'S CLUB® mark for retail services. Wal-Mart has received various registrations of the famous SAM'S CLUB® service mark from the United States Patent and Trademark Office, such as, for example, U.S. Registration Number 2,036,770 (hereafter the "Sam's Club Marks") (*see* Exhibit 1). Wal-Mart also makes extensive use of the internet and operates websites at various locations including www.samsclub.com, www.sams-club.com, and www.samsclub.biz that provide information about Sam's Club stores and gives members of Sam's Club the ability to shop online for goods and services.

9. Through its history, Wal-Mart has become widely known for good selection and low prices in the retail market and the WAL-MART®, ALWAYS® and SAM'S CLUB® marks have become highly recognized, famous service marks for retail store services both in Arkansas as well as throughout the United States.

10. As an additional service for its customers, Wal-Mart offers fixed value and reloadable gift or shopping cards that can be used at Wal-Mart® stores, Sam's Club® stores, or online at www.walmart.com and www.samsclub.com. These cards prominently display the Wal-Mart Marks and/or the Sam's Club Marks (hereafter "Shopping Cards") (*see* Exhibit 2). Consumers of Wal-Mart have come to rely on Shopping Cards as a verified source of conducting commerce both in the stores and online.

11. To protect consumers and the goodwill of the Wal-Mart and Sam's Club Marks, Wal-Mart has established a licensing program for third parties who wish to utilize a Shopping Card as part of a promotional or other marketing endeavor for its own business (hereafter "Licensing Program"). The Licensing Program involves a license agreement between Wal-Mart and the third party that sets forth very specific uses of Shopping Cards and generally restricts the manner and method of advertising for a third party with a Shopping Card.

B. Defendants' Business Practices

12. Defendants send email solicitations containing false or misleading phrases in the subject line that lead consumers to believe that the email solicitation originates from or is sponsored by Wal-Mart or Sam's Club. Specifically, Defendants send emails using "Wal-Mart- Offer Confirmation" or "Sam's Club / Costco – Offer Confirmation" (hereafter "the Email Offers") in the subject line. The prominence of the Wal-Mart Marks in the subject line of the Email Offers deceptively lures customers into believing that they have already made a new purchase with Wal-Mart or Sam's Club or have otherwise qualified for something as per the "Offer Confirmation." (*see* Exhibit 3). Given that millions of Americans shop at Wal-Mart stores and Sam's Club stores on a daily basis, the Email Offers are a deceptive hook for the unknowing consumer.

13. Within the Email Offers, consumers are invited to click on a hyperlink in order to get their "Free" gift card. Consumers, upon clicking through one of the Email Offers or otherwise finding Defendants' Internet Sites, are presented with an image of a shopping card that prominently displays the Wal-Mart Marks (*see* Exhibit 4). This shopping card image, however, was created by Defendants and does not represent any style of gift card that is offered

by Wal-Mart. Consumers are thus fraudulently and deceptively confused into thinking that it is an image of an actual Shopping Card offered by Wal-Mart, and that Defendants are somehow affiliated with or related to Wal-Mart.

14. Consumers, upon seeing the Wal-Mart Marks on the fake shopping card at Defendants' Internet Sites, are likely to assume that Wal-Mart is somehow affiliated with Defendants. Now hooked and trusting the goodwill of the Wal-Mart Marks, the consumer must click through a series of online promotions that do not lead to a "Free" Wal-Mart® or Sam's Club® Shopping Card. In order to obtain a "Free" \$500.00 Gift Card for Wal-Mart® stores or Sam's Club® stores, consumers must sign-up for no less than six (6) promotions from companies such as BMG Music, Columbia House®, and others and purchase such products as music CDs, videotapes, or DVDs and other items, all the while being assured that their gift card is on the way.

15. Numerous frustrated consumers have contacted Wal-Mart believing it to be responsible for the "Free" gift card that never materialized from Defendants. These consumers have complained about their inability to get a "Free" card and are dismayed and surprised to hear that Defendants are responsible for their consternation and not Wal-Mart.

C. Correspondence Between the Parties

16. On May 17, 2005, Wal-Mart, through its attorneys, sent a demand letter to Defendants, stating that their deceptive conduct via the Email Offers and Defendants' Internet Sites was causing confusion among consumers who believed that such offers were sponsored by, associated, or affiliated with Wal-Mart (hereafter "Demand Letter"). The

Demand Letter also demanded that such practices immediately cease due to the harm that Wal-Mart was suffering (*see* Exhibit 5).

17. Defendants responded in writing to the Demand Letter by first admitting that rewardsgateway.com is a division of VCES, and denied that its conduct was harmful (*see* Response Letter at Exhibit 5). Although some offers to compromise were set forth by Defendants in a series of ensuing written correspondence, Defendants refused to remove the Wal-Mart Marks from the subject line of the Email Offers or cease using the Wal-Mart Marks (*see* Exhibit 5).

D. Irreparable Harm To Wal-Mart

18. Wal-Mart has received numerous complaints from consumers who have become frustrated with the lack of delivery of their “Free” Shopping Card from Defendants. Such consumers, upon contacting Wal-Mart, indicate that they believe that Wal-Mart owes them their Shopping Card.

19. Defendants’ continued infringement of Wal-Mart’s service marks and/or confusingly similar words, designs, themes, and marks will deceive the consuming public into believing they are responding to an offer from Wal-Mart or otherwise participating in a program that was authorized, sponsored, or approved by Wal-Mart, and will likely cause confusion and mistake in that consumers are likely to assume that Wal-Mart has authorized, sponsored, or approved the Email Offers or Defendants’ Internet Sites, all to the irreparable harm of Wal-Mart.

20. In addition to causing Wal-Mart to suffer incalculable, irrecoverable and irreparable harm, the Email Offers and Defendants' Internet Sites quickly lead consumers to extreme frustration which the consumer mistakenly attributes to Wal-Mart, and unless enjoined will continue to injure Wal-Mart's goodwill in their marks and Wal-Mart's reputation for low prices and excellent service, all to the irreparable harm of Wal-Mart.

21. Based upon the foregoing, Wal-Mart alleges that if Defendants are not enjoined from further infringing activities, including the solicitation of consumers through the Email Offers and the offers present through the Defendants' Internet Sites, that include infringing use of Wal-Mart's service marks and/or confusingly similar words, designs, themes, and marks, Wal-Mart will be unable to obtain an effective remedy at law for Defendants' wrongful conduct.

COUNT I

Federal Trademark Infringement

22. Wal-Mart hereby re-alleges, as if fully set forth herein, paragraphs 1 through 21 of this Amended Complaint.

23. Defendants' intentional use of Wal-Mart's registered service marks and/or confusingly similar words, designs, themes and marks, as described herein, constitutes infringement under Section 32 of the Lanham Act, 15 U.S.C. § 1114.

24. As a result of Defendants' infringing conduct, the threat of the loss of Wal-Mart's right to control the use of their marks and the reputation of their services is real and

substantial. This loss is further enhanced by the ease of frustration experienced by most consumers upon attempting to get his or her "Free" Shopping Card.

25. Defendants' intentional infringement of Wal-Mart's registered service marks in violation of the Lanham Act has injured Wal-Mart's business, reputation and goodwill, and unless enjoined will continue to do so, all to Wal-Mart's immediate and irreparable harm.

26. Defendants' intentional infringement of Wal-Mart's registered service marks in violation of the Lanham Act has caused Wal-Mart monetary damage in an amount to be determined at trial.

COUNT II

False Association, False Advertising, False Designation Of Origin and False Representation (Lanham Act)

27. Wal-Mart hereby re-alleges, as if fully set forth herein, paragraphs 1 through 26 of this Amended Complaint.

28. Defendants' intentional use of words, designs, themes and marks identical and/or confusingly similar to Wal-Mart's registered service marks as described herein, creates a false association between Defendants and Wal-Mart in violation of Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a).

29. Defendants' intentional use of words, designs, themes and marks identical and/or confusingly similar to Wal-Mart's registered service marks as described herein, creates a false designation of origin, and a false representation, of Defendants' services all in violation of Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a).

30. Defendants' intentional use of words, designs, themes and marks identical and/or confusingly similar to Wal-Mart's registered service marks as described herein constitutes false advertising under Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a).

31. As a result of Defendants' conduct described above, the threat of the loss of Wal-Mart's right to control the use of their marks and the reputation of their services is real and substantial. This loss is further enhanced by the ease of frustration experienced by most consumers upon attempting to get his or her "Free" Shopping Card from Defendants.

32. Defendants' intentional conduct in violation of Section 43(a) of the Lanham Act has injured Wal-Mart's business, reputation and goodwill, and unless enjoined will continue to do so, all to Wal-Mart's immediate and irreparable harm.

33. Defendants' intentional conduct in violation of Section 43(a) of the Lanham Act has caused Wal-Mart monetary damage in an amount to be determined at trial.

COUNT III

Federal Trademark Dilution

34. Wal-Mart hereby re-alleges, as if fully set forth herein, paragraphs 1 through 33 of this Amended Complaint.

35. As a result of the duration and extent of Wal-Mart's use and promotion of the Wal-Mart Marks and Sam's Club Marks described herein, these marks are famous and highly distinctive.

36. The Wal-Mart Marks and Sam's Club Marks have become well and favorably known to consumers throughout the United States, including Arkansas, as an indication of services emanating from or authorized by a single source, *i.e.*, Wal-Mart.

37. Defendants have made and are making commercial use of Wal-Mart's famous Wal-Mart Marks and Sam's Club Marks in interstate commerce.

38. Defendants' use of Wal-Mart's famous Wal-Mart Marks and Sam's Club Marks began long after the marks became famous.

39. Defendants' use of Wal-Mart's famous Wal-Mart Marks and Sam's Club Marks dilutes the distinctive quality of the marks by reducing their capacity to identify and distinguish Wal-Mart's services in violation of Section 43(c) of the Lanham Act, 15 U.S.C. § 1125(c).

40. Defendants willfully intended to trade on Wal-Mart's reputation and goodwill, and to cause dilution of Wal-Mart's famous Wal-Mart Marks and Sam's Club Marks.

41. Defendants' willful dilution of Wal-Mart's famous Wal-Mart Marks and Sam's Club Marks has caused and, unless enjoined will continue to cause Wal-Mart immediate and irreparable injury.

42. Defendants' willful dilution of Wal-Mart's famous Wal-Mart Marks and Sam's Club Marks has caused Wal-Mart monetary damage in an amount to be determined at trial.

COUNT IV

Unfair Competition (Lanham Act)

43. Wal-Mart hereby re-alleges, as if fully set forth herein, paragraphs 1 through 42 of this Amended Complaint.

44. Defendants' conduct as herein alleged, including but not limited to intentionally creating a fake shopping card as well as using the Wal-Mart Marks and Sam's Club Marks in the subject line of the Email Offers constitutes unfair competition under the Lanham Act, 15 U.S.C. § 1125(a).

45. Defendants' unfair competition has caused and, unless enjoined will continue to cause Wal-Mart immediate and irreparable injury.

46. In addition, Defendants' unfair competition has caused Wal-Mart monetary damage in an amount to be determined at trial.

COUNT V

Trademark Infringement (Arkansas Law)

47. Wal-Mart hereby re-alleges, as if fully set forth herein, paragraphs 1 through 46 of this Amended Complaint.

48. Wal-Mart's marks described herein are valid at common law.

49. Defendants' use of Wal-Mart's marks and/or confusingly similar words, designs, themes and marks is likely to cause confusion or mistake or to deceive as to the source

of Defendants' services and constitutes trademark infringement under the common law of Arkansas.

50. Defendants' intentional infringement of Wal-Mart's service marks has (i) injured Wal-Mart's business, reputation and goodwill, and unless enjoined will continue to do so, all to Wal-Mart's immediate and irreparable harm; and (ii) caused Wal-Mart monetary damage in an amount to be determined at trial.

COUNT VI

Trademark Dilution (Arkansas Law)

51. Wal-Mart hereby re-alleges, as if fully set forth herein, paragraphs 1 through 50 of this Amended Complaint.

52. As a result of the duration and extent of Wal-Mart's use and promotion of the Wal-Mart Marks and Sam's Club Marks described herein, these marks are famous and highly distinctive.

53. The Wal-Mart Marks and Sam's Club Marks have become well and favorably known to consumers throughout Arkansas as an indication of services emanating from or authorized by a single source, *i.e.*, Wal-Mart.

54. Defendants' use of Wal-Mart's famous Wal-Mart Marks and Sam's Club Marks dilutes the distinctive quality of the marks by reducing their capacity to identify and distinguish Wal-Mart's services in violation of the trademark laws of Arkansas, Ark. Code Ann. § 4-71-213.

55. Defendants willfully intended to trade on Wal-Mart's reputation and goodwill, and to cause dilution of Wal-Mart's famous Wal-Mart Marks and Sam's Club Marks.

56. Defendants' willful dilution of Wal-Mart's famous Wal-Mart Marks and Sam's Club Marks has caused and, unless enjoined will continue to cause Wal-Mart immediate and irreparable injury.

COUNT VII

Deceptive Trade Practices (Arkansas Law)

57. Wal-Mart hereby re-alleges, as if fully set forth herein, paragraphs 1 through 56 of this Amended Complaint.

58. Defendants' conduct as herein alleged, including but not limited to intentional use of words, designs, themes and marks identical and/or confusingly similar to Wal-Mart's registered service marks as described herein, creates a false association between Defendants and Wal-Mart and is likely to confuse consumers as to the origin, source, sponsorship, approval, or certification of Defendants' services and therefore constitutes an unlawful deceptive trade practice in violation of the Arkansas Deceptive Trade Practices Act, Ark. Code Ann. § 4-88-107.

59. Defendants' conduct in passing off their service as being related to or associated with Wal-Mart, as described above, constitutes an unlawful deceptive trade practice in violation of the Arkansas Deceptive Trade Practices Act, Ark. Code Ann. § 4-88-107.

60. Defendants' deceptive and unfair trade practices have caused and, unless enjoined will continue to cause Wal-Mart immediate and irreparable injury, for which there is no adequate remedy at law.

61. In addition, Defendants' deceptive and unfair trade practices have caused Wal-Mart monetary damage in an amount to be determined at trial.

COUNT VIII

Unfair Competition (Arkansas Law)

62. Wal-Mart hereby re-alleges, as if fully set forth herein, paragraphs 1 through 61 of this Amended Complaint.

63. Defendants' conduct as herein alleged, including but not limited to intentionally creating a fake shopping card as well as using the Wal-Mart Marks and Sam's Club Marks in the subject line of the Email Offers constitutes unfair competition under the common law of Arkansas.

64. Defendants' unfair competition has caused and, unless enjoined will continue to cause Wal-Mart immediate and irreparable injury.

65. In addition, Defendants' unfair competition has caused Wal-Mart monetary damage in an amount to be determined at trial.

PRAYER FOR RELIEF

WHEREFORE, Wal-Mart requests that:

- A. this Court grant a permanent injunction enjoining Defendants and each of their affiliates, subsidiaries, partners, associates, agents, representatives, servants, and employees, and all others acting in concert therewith or having knowledge thereof, from using Wal-Mart's service marks, or any images or marks confusingly similar thereto;
- B. Defendants be required to account to and reimburse Wal-Mart for all profits Defendants have derived from the use of any of Wal-Mart's service marks, or any images or marks confusingly similar thereto;
- C. Defendants be required to compensate Wal-Mart for any and all damages Wal-Mart has sustained by reason of the acts complained of herein;
- D. Defendants be required to pay Wal-Mart treble the amount of any profits Defendants have made, and treble the amount of any damages Wal-Mart has suffered, as a result of Defendants' intentional infringing activities;
- E. This Court order Defendants to pay Wal-Mart the costs and disbursements of this action, together with reasonable attorneys' fees required to prosecute this action; and

F. This Court grant to Wal-Mart such other and further relief as the Court may deem just and proper under the circumstances.

Respectfully submitted,



W. Asa Hutchinson III

Arkansas Supreme Court Number 2001115

WARNER, SMITH & HARRIS, PLC

J.B. Hunt NBC Tower

3333 Pinnacle Hills Parkway, Suite 220

Rogers, AR 72758

Tel: (479) 271-6041 (tel.)

Fax: (479) 271-6065 (fasc.)

ahutchinson@warnersmith.com

Of Counsel:

Franklin B. Molin, Esquire

Pa. I.D. # 66827

David Schramm, Esquire

Pa. I.D. # 82582

KIRKPATRICK & LOCKHART

NICHOLSON GRAHAM LLP

Henry W. Oliver Building

535 Smithfield Street

Pittsburgh, PA 15222

(412) 355-6500 (tel.)

(412) 355-6501 (facs.)