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United States District Court  
For the Northern District of California

IN THE UNITED STATES DISTRICT COURT  
FOR THE NORTHERN DISTRICT OF CALIFORNIA

TIM QUIGLEY, and QAZ MEDIA, LLC  
Plaintiffs,  
v.  
GUVERA IP PTY LTD, and GUVERA USA  
INC.  
Defendants.

No. C 10-03569 CRB

**ORDER: (1) GRANTING IN PART  
AND DENYING IN PART MOTION  
TO DISMISS; (2) DENYING  
ALTERNATIVE MOTION TO  
TRANSFER; (3) DENYING MOTION  
FOR PRELIMINARY INJUNCTION;  
AND (4) DENYING MOTION TO  
STRIKE**

**I. BACKGROUND**

This is a lawsuit involving online music services. Plaintiffs Tim Quigley and Qaz Media LLP, associated with a music service named “Groovera,” brought suit against Defendants Guvera IP and Guvera USA, associated with a music service named “Guvera,” for trademark infringement under 15 U.S.C. § 1114, false designation of origin under 15 U.S.C. § 1125(A), California common law passing off and unfair competition, and unfair competition under California Business and Professional Code § 17200 et seq. FAC (Doc. 13) at 8-10. Now pending are Defendants’ Motion to Dismiss and, Alternatively, to Transfer, as well as Plaintiffs’ Motion for Preliminary Injunction and Motion to Strike.

Quigley and Qaz, an entity organized under Washington law, own and operate Groovera, a free online music broadcasting service. Id. at 1-2. Groovera is a “multi-channel

1 web radio station specializing only in chill-out music.” Id. at 3. Groovera is funded by  
2 personal and listener contributions, without corporate funding or sponsorship. Id. Quigley  
3 created the name Groovera as a “combination of the words *groove* and the Latin word *vera*,  
4 meaning ‘true’ and ‘pure.’” Id. at 3. Quigley purchased the groovera.com domain name on  
5 July 25, 2005. Id. Federal trademark registration for use of the Groovera mark issued  
6 September 14, 2010 for use in connection with online distribution of music. Id. Plaintiffs  
7 also claim common law trademark rights in Groovera. Id. at 4. The Groovera website  
8 prominently features the Groovera mark and the tagline “Share the Love.” Id.  
9 Plaintiffs allege that Defendants Guvera USA and Guvera IP infringe the Groovera mark  
10 through the operation of Guvera.com. Guvera is an online music service founded in Australia  
11 in August, 2008. Mot. to Dismiss (MTD) (Doc. 18) at 3. Guvera offers free music  
12 downloads to consumers by contracting with advertisers who pay to sponsor music channels  
13 “congruent with the advertisers’ likely customer base.” Id. at 1. Fees from advertisers are  
14 used to pay licensing fees for the music. Id. Guvera currently offers over three million  
15 songs, and is adding 100,000 songs per week, in a wide range of genres. Opp. to Mot. for  
16 Preliminary Injunction (MPI) (Doc. 31) at 7. Guvera asserts that it has “virtually no  
17 competitors” because other companies who have attempted to legally distribute free  
18 downloadable music have not been economically viable. Id.

19 Guvera’s founder first used the mark in December 2007 as part of a business school  
20 presentation. Id. at 3. The name Guvera and its red star logo “is intended to loosely call to  
21 mind the notorious revolutionary Che Guevara” to “highlight the ‘revolutionary’ nature” of  
22 Guvera’s online music service. Opp. to MPI (Doc. 31) at 1. Guvera USA is a New York-  
23 based, Delaware-incorporated subsidiary of Guvera Ltd., an Australian entity. Guvera IP is  
24 an Australian entity and subsidiary of Guvera Ltd. that licenses Guvera’s intellectual  
25 property. MTD (Doc. 18) at 1. Guvera Ltd., the parent company, has raised \$20 million  
26 from investors and negotiated contracts with large recording companies, music licensing  
27 bodies, and advertisers. Opp. to MPI (Doc. 31) at 1. Guvera has obtained trademark  
28 protection in the United States and several other countries. Id.

1 For the reasons explained below, the Court GRANTS the Motion to Dismiss only as  
2 to lack of personal jurisdiction over Guvera IP, the Australian licensing entity with no  
3 cognizable contacts with California. The Court DENIES the Motion to Dismiss as to  
4 personal jurisdiction over Guvera USA, whose operation of Guvera.com is interactive,  
5 commercial, and adequately aimed at California, and it DENIES the Motion to Dismiss for  
6 failure to state a claim, as California law allows for out-of-state-corporate entities to sustain  
7 claims upon registration in California, even if unregistered upon commencement of the suit.  
8 The Court DENIES the alternative Motion to Transfer, as the burden on the Defendant is not  
9 so great as to overwhelm the Plaintiffs' choice of forum. The Court DENIES the Motion for  
10 Preliminary Injunction, as Plaintiffs have not shown a likelihood of success or that they have  
11 raised serious questions on the merits. And the Court DENIES the Motion to Strike, as  
12 Plaintiffs have failed to demonstrate that the Cohen Declaration violates the rules of  
13 evidence.

14 **II. ANALYSIS**

15 **A. Motion to Dismiss**

16 Defendants move to dismiss the case based on (1) lack of personal jurisdiction over  
17 Guvera USA, (2) lack of personal jurisdiction over Guvera IP, and (3) failure to state a claim.

18 **1. Personal Jurisdiction Over Guvera USA**

19 The burden to demonstrate personal jurisdiction over a defendant rests with the  
20 plaintiff. Schwarzenegger v. Fred Martin Motor Co., 374 F.3d 797, 800 (9th Cir. 2004).  
21 Personal jurisdiction in federal court must comport with Rule 4(k) of the Federal Rules of  
22 Civil Procedure, as well as with federal due process. See id. at 800-01. Under Rule  
23 4(k)(1)(A), the long-arm statute of the state in which the district court sits must be applied  
24 when determining whether the court has jurisdiction over out-of-state defendants. The  
25 California long-arm statute is coextensive with federal due process, so in this Court the  
26 personal jurisdiction analysis consists solely of federal due process analysis. See  
27 Schwarzenegger, 374 F.3d at 800-01.

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1 The overarching framework for personal jurisdiction asks whether the defendant has  
2 minimum contacts with the forum state such that the exercise of jurisdiction “does not offend  
3 traditional notions of fair play and substantial justice.” Int’l Shoe Co. v. Washington, 326  
4 U.S. 310, 316 (1945). Plaintiffs allege that this Court has specific jurisdiction over  
5 Defendants. Opp. to MTD (Doc. 36) at 4.<sup>1</sup>

6 The Ninth Circuit employs a three-part test to assess specific jurisdiction:

- 7 (1) The non-resident defendant must purposefully direct his activities or  
8 consummate some transaction with the forum or resident thereof; or perform  
9 some act by which he purposefully avails himself of the privilege of  
10 conducting activities in the forum, thereby invoking the benefits and  
11 protections of its laws;  
(2) the claim must be one which arises out of or relates to the defendant's  
forum-related activities; and  
(3) the exercise of jurisdiction must comport with fair play and substantial  
justice, i.e. it must be reasonable.

12 Schwarzenegger, 374 F.3d at 802. The test applied in the first prong depends on the  
13 nature of the claim at issue; claims in tort should be assessed under the purposeful  
14 direction analysis while claims in contract should be assessed under the purposeful  
15 availment analysis. Id. Unfair competition claims are claims in tort, and trademark  
16 claims may also be fairly characterized as tortious. Cf. Brayton Purcell LLP v.  
17 Recordon & Recordon, 361 F. Supp. 2d 1135, 1140 (N.D. Cal. 2005). Therefore, the  
18 purposeful direction test applies here.

19 **a. Purposeful Direction**

20 Purposeful direction is assessed under the “Calder effects” test, another three-  
21 part test, which “requires that the defendant allegedly have (1) committed an  
22 intentional act, (2) expressly aimed at the forum state, (3) causing harm that the  
23 defendant knows is likely to be suffered in the forum state.” Schwarzenegger, 374  
24 F.3d at 803. The Calder test requires “something more” than mere foreseeability; the  
25 effects in the third prong must be expressly aimed at the forum state. Pebble Beach  
26 Co. v. Caddy, 453 F. 3d 1151, 1156 (9th Cir. 2006). However, the “‘express aiming’  
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<sup>1</sup> Plaintiffs do not allege that this Court has general jurisdiction over Defendants.

1 analysis depends, to a significant degree, on the specific type of tort at issue.”

2 Schwarzenegger, 374 F.3d at 807.

3 i. **Calder Act and Aiming Requirements on the**  
4 **Internet**

5 The kinds of acts, and “aiming,” that satisfy the Calder effects test for websites  
6 are assessed under the Cybersell framework. Under Cybersell, operation of a passive  
7 website is not adequate to establish personal jurisdiction over a defendant, whereas  
8 operation of an interactive, commercial website is often sufficient. Cybersell, Inc. v.  
9 Cybersell, Inc., 130 F.3d 414, 418 (9th Cir. 1997). If a website falls somewhere  
10 between passive and interactive, “the likelihood that personal jurisdiction can be  
11 constitutionally exercised is directly proportionate to the nature and quality of  
12 commercial activity that an entity conducts over the internet.” Id. at 419. Courts have  
13 found that “doing nothing other than registering a domain name and posting an  
14 essentially passive website” is insufficient for personal jurisdiction. See Pebble  
15 Beach, 453 F. 3d at 1156-57; Cybersell, 130 F.3d at 418-20. However, where a  
16 website is used to conduct business or raise money, courts have found that the  
17 exercise of personal jurisdiction is appropriate. See Stomp, Inc. v. NeatO, LLC, 61 F.  
18 Supp. 1074, 1078 (C.D. Cal. 1999) (website selling patent-infringing goods);  
19 Panavision Int’l v. Toepfen, 141 F.3d 1316, 1321 (9th Cir. 1998) (scheme to induce  
20 plaintiff to pay defendant for rights to the domain name). This Court recently found  
21 that a website that required users to enter their contact information to gain access to  
22 information on the website, and then sold that contact information entered by users to  
23 a third party, was interactive and commercial. See Am. Auto. Ass’n, Inc. v. Darba  
24 Enters., Inc., No. C. 09-00510, 2009 WL 1066506, at \*4 (N.D. Cal., Apr. 21, 2009).  
25 The Court explained that the defendant “profited when California users entered their  
26 contact information in his website, even though he did not sell anything to them  
27 directly” and therefore that the defendant’s contacts with California were sufficient for  
28 the exercise of personal jurisdiction. Id. at \*4-\*7.

1 Guvera USA’s website is interactive, commercial, and targeted at California  
2 residents. It requires users to register in order to download free songs, Guvera’s key  
3 feature. See MTD (Doc. 18) at 5 (free music downloads is the “principal idea behind  
4 Guvera USA’s business model”). Users enter personal information, including their  
5 zip code, which allows Guvera USA to match consumer profiles with the profiles  
6 Guvera USA’s advertisers have chosen to target. See id. at 1; Opp. to MPI (Doc. 31)  
7 at 11. This interaction is crucial to Guvera USA— consumers are able to obtain free  
8 music only in exchange for information about themselves, which is then matched with  
9 advertiser preferences, which in turn allows Guvera USA to collect fees from  
10 advertisers with which to pay licensing fees for the music and earn revenue. See Opp.  
11 to MTD (Doc 36) at 8. Thus, although Guvera USA does not directly sell products  
12 through its website, it generates revenue through consumer interaction on the website.  
13 The website cannot fairly be described as passive in the Cybersell framework; it is  
14 closer to the websites in Panavision and AAA – not commercial in a classic sense but  
15 nonetheless intended to earn revenue. Compare Cybersell, 130 F.3d at 419-20  
16 (passive website with information about a local business) and Pebble Beach, 453 F. 3d  
17 at 1156 (passive website with using defendant’s trademarked name) with Panavision,  
18 141 F.3d at 1321 (scheme to register domain name of defendant’s trademark to obtain  
19 payment from defendant) and AAA, 2009 WL 1066506, at \*4 (website using  
20 defendant’s trademarked acronym collecting information to sell to third parties).

21 In addition to being aware of California users of Guvera.com, Guvera USA  
22 established a California-specific privacy policy in order to comply with California  
23 law. Opp. to MTD (Doc. 36) at 9. Guvera USA thus expressly sought consumers in  
24 California. Guvera USA’s description of the channel system on its website, using a  
25 girl from California as an example to explain the payment model, further supports the  
26 finding that Guvera USA expressly aims Guvera.com’s interactive web services at  
27 California residents. See id. Guvera.com is not a website meant to serve a small  
28 community, as in Cybersell, or to serve a limited audience seeking to travel to a small

1 town overseas, as in Pebble Beach. Instead, the Guvera model is premised on  
2 widespread use throughout the United States, explicitly including California. See  
3 Opp. to MPI (Doc. 31) at 9 (describing Guvera’s active national and international  
4 publicity campaign). This intentional targeting of consumers in California satisfies  
5 the “something more” required by Calder because it is not merely foreseeable that  
6 Guvera.com is being used by consumers in California, and allegedly causing  
7 confusion with Plaintiffs’ mark, but rather an intended consequence of Guvera USA’s  
8 strategy.

9 **ii. Calder Harm in the Forum State**

10 The third prong of the Calder test, requiring that defendants know harm will be  
11 suffered in the forum state, can be satisfied where the defendant knew the plaintiff  
12 resides in the forum state. See Sinatra v. Nat’l Enquirer, Inc., 854 F.2d 1191 (9th Cir.  
13 1988). Guvera USA concedes that Groovera’s U.S. trademark application precedes  
14 Guvera’s, and therefore that Guvera USA was on constructive notice of the Groovera  
15 mark. Opp. to MPI (Doc. 31) at 12. Groovera’s marks are registered to Plaintiffs in  
16 California. See FAC (Doc. 13) Exs. A, C. Because Guvera was on constructive  
17 notice of the Groovera mark, which is registered to California entities, Guvera USA’s  
18 use of the Guvera mark allegedly infringes the Groovera mark, and Guvera USA’s  
19 website is directed at California residents (among others), Guvera USA  
20 (constructively) knew that harm would be suffered in California.

21 **b. Forum-Related Activities**

22 The second prong of the specific jurisdiction test, that “the claim arises out of  
23 or relates to the defendant's forum-related activities,” requires the defendant’s forum-  
24 related activities to be the but-for cause of the plaintiff’s alleged injury. See  
25 Panavision, 141 F.3d at 1322. Groovera claims that it has suffered a loss in  
26 consumers and in goodwill due to confusion with Guvera USA’s website’s use of the  
27 allegedly similar mark. This alleged harm arises out of the purposefully directed  
28 contacts to California residents due to the interactive nature of Guvera USA’s website.

1 The harm thus arises out of the contacts and is the but-for cause of the alleged harm.  
2 Plaintiffs therefore have met their burden to establish minimum contacts adequate for  
3 specific personal jurisdiction over Guvera USA.

4 **c. Reasonableness**

5 When a plaintiff meets his burden to establish minimum contacts arising out of  
6 a defendant's activities in the forum state, the burden shifts to the defendant to prove  
7 that the exercise of personal jurisdiction is not reasonable in light of traditional  
8 notions of fair play and substantial justice. Schwarzenegger, 374 F.3d at 802 (citing  
9 Burger King Corp. v. Rudzewicz, 471 U.S. 462, 476-78 (1985)). Factors to be  
10 considered include: "(1) the extent of a defendant's purposeful interjection; (2) the  
11 burden on the defendant in defending in the forum; (3) the extent of conflict with the  
12 sovereignty of the defendant's state; (4) the forum state's interest in adjudicating the  
13 dispute; (5) the most efficient judicial resolution of the controversy; (6) the  
14 importance of the forum to the plaintiff's interest in convenient and effective relief;  
15 and (7) the existence of an alternative forum." Panavision, 141 F.3d at 1323 (citing  
16 Burger King, 471 U.S. at 476-77). The factors are to be weighed together, and none  
17 are dispositive. Id. Further, the defendant must demonstrate that the "inconvenience  
18 is so great as to constitute a deprivation of due process." Panavision, 141 F.3d at  
19 1323.

20 Guvera USA argues that the exercise of specific jurisdiction over it would be  
21 unreasonable, but does not establish that a violation of due process would result from the  
22 Court's exercise of jurisdiction. MTD (Doc. 18) at 16. Guvera USA asserts that its  
23 purposeful interjection in California is limited. Id. However, the nature of Guvera USA's  
24 contacts with California is far more extensive than it concedes. See discussion above. This  
25 factor is neutral.

26 Guvera USA's argument that it would be burdened by defending suit in California  
27 might well be true, given that it is based in New York and incorporated in Delaware.  
28 However, as discussed *infra*, a plaintiff's choice of forum is given great weight. Defendants



1 also argue that the Southern District of New York would be a preferable forum; however the  
2 burden on Plaintiffs in that forum would likely be substantial. See Opp. to MTD at 22.  
3 Guvera USA has not met its burden to show that the exercise of personal jurisdiction here  
4 would be unreasonable, therefore there is specific personal jurisdiction over Guvera USA.

5 The Motion to Dismiss for Lack of Personal Jurisdiction over Guvera USA is  
6 DENIED.

7 **2. Personal Jurisdiction Over Guvera IP**

8 Unlike Guvera USA, Guvera IP does not have adequate minimum contacts with  
9 California to be subject to personal jurisdiction here. Guvera IP's sole act of licensing the  
10 Guvera mark to Guvera USA for use in the United States, see MTD (Doc. 18) at 2, does not  
11 constitute purposeful direction under the Calder effects test. Licensors are generally not  
12 subject to personal jurisdiction where their sole contact with the forum state is a license. See  
13 Red Wing Shoe Co. v. Hockerson-Halberstadt, Inc., 148 F.3d 1355 (Fed. Cir. 1998) (patent  
14 licenses and cease-and desist letters insufficient to establish minimum contacts); cf. Dex  
15 Prods., Inc. v. Houghtenling, No. C. 05-05126, 2006 WL 1751903, at \*4 (N.D. Cal. Jun. 23,  
16 2006) (patent owner sending cease and desist letters insufficient for personal jurisdiction).  
17 Personal jurisdiction requires more than a license or ownership of intellectual property. See,  
18 e.g., Genetic Implant Sys., Inc. v. Core-Vent Corp., 123 F.3d 1455, 1458 (Fed. Cir. 1997)  
19 (extensive business contacts with the forum state in addition to licenses satisfied due  
20 process). Because Guvera IP's contacts with California do not satisfy the first prong of the  
21 specific jurisdiction test, the Court finds that no additional analysis on this point is necessary.

22 The Motion to Dismiss for Lack of Personal Jurisdiction over Guvera IP is  
23 GRANTED.

24 **3. Failure to State a Claim**

25 Defendant also moves to dismiss Plaintiffs' state law claims under Rule 12(b)(6)  
26 because Qaz, a Washington limited liability company, was not registered to do business in  
27 California at the time the suit was filed. MTD (Doc. 18) at 21. Qaz has since registered.  
28 Opp. to MTD (Doc. 36) at 25; Quigley Decl. (Doc. 16) ¶ 16. California law requires out-of-

1 state limited liability companies conducting intrastate business to be registered with the state  
2 in order to “maintain any action, suit, or proceeding in any court of this state.” Cal. Corps.  
3 Code § 17456(a). However, California courts consistently treat this and similar corporate  
4 registration provisions as governing a company’s capacity to sue, not its standing, and  
5 therefore do not prevent an unregistered out of state entity from commencing a suit and  
6 curing the deficiency while the suit is underway. See, e.g., Motohouse Int’l, LLC v. PPG  
7 Indus., Civ. No. 09-1265, 2010 WL 476652, at \*1 (S.D. Cal. Feb. 4, 2010) (registration  
8 under § 17456 after filing motion to dismiss cured capacity to sue, making dismissal  
9 inappropriate); see also United Med. Mgmt. Ltd. v. Gatto, 49 Cal. App. 4th 1732, 1739-40  
10 (Cal. Ct. App. 1997) (corporation who fails to qualify under § 2203 [provision analogous to §  
11 17456(a) governing out-of-state corporations] may commence an action, but such action may  
12 be abated until the company is qualified with Secretary of State and thus permitted to  
13 “maintain” suit); EWorld Partners, LLC v. E-Business Solutions, LLC, 2004 WL 4964212  
14 (Cal. Superior) (§ 17456 contains identical language to § 2203; therefore law under §2203  
15 allowing actions to be commenced before properly qualifying with the state applies to §  
16 17456 cases); cf. CLD Constr., Inc. v. City of San Ramon, 120 Cal. App. 4<sup>th</sup> 1141, 1151 (Cal.  
17 Ct. App. 2004) (“a failure to comply with statutory requirements governing corporations  
18 does not implicate the court’s subject matter jurisdiction or prevent the corporation from  
19 commencing an action; non-complying corporations have been permitted to revive their  
20 corporate powers or correct the defects prior to trial”).

21 Under California law, which controls, Qaz’s state law claims may now be maintained  
22 because Qaz has properly qualified with the Secretary of State. The Motion to Dismiss for  
23 failure to state a claim is therefore DENIED.

24 **3. Conclusion as to Motion to Dismiss**

25 Accordingly, the Motion to Dismiss is GRANTED as to lack of personal jurisdiction  
26 over Guvera USA, DENIED as to lack of personal jurisdiction over Guvera IP, and DENIED  
27 as to failure to state a claim.

28 //

1           **B.     Motion to Transfer**

2           In the alternative to dismissal, Defendants move to transfer the case to the Southern  
3 District of New York. However, Defendants fail to demonstrate that the burden on  
4 Defendants, or any other interests, overwhelm the Plaintiffs’ choice of forum. 28 U.S.C. §  
5 1404(a) permits transfer of venue “for the convenience of parties and witnesses, in the  
6 interest of justice . . . to any other district or division where it may have been brought.” *Id.*  
7 (2006). Relevant considerations also include judicial economy, relative ease of access to  
8 proof, and availability of compulsory process. *E. & J. Gallo Winery v. F. & P. S.p.A.*, 899 F.  
9 Supp. 465, 466 (E.D. Cal. 1994). Generally, a plaintiff’s choice of forum is entitled to  
10 deference in a 1404(a) motion. *Saleh v. Titan Corp.*, 361 F. Supp. 2d 1152, 1156-57 (S.D.  
11 Cal. 2005). However, where a plaintiff has brought suit in a forum that is not his or her  
12 residence, deference to the plaintiff’s choice of forum is diminished. *Id.* at 1156-58.

13           Here, Defendants allege that Plaintiffs are not residents of California and thus are not  
14 entitled to deference in their choice of forum. MTD (Doc. 18) at 18. However, Quigley  
15 submitted evidence supporting his claim that he is a resident of California, and Qaz has now  
16 been registered to conduct business in California. Opp. to MTD (Doc. 36) at 21, 25; Quigley  
17 Decl. (Doc. 16) ¶ 2. Plaintiffs therefore are entitled to customary deference to their choice of  
18 forum.

19           Defendants’ other arguments for transfer are unavailing. There is nothing particularly  
20 burdensome about a New York corporation whose contacts extend into California conducting  
21 a lawsuit in California. *See Decker Coal Co. v. Commonwealth Edison Co.*, 805 F.2d 834,  
22 843 (9th Cir. 1986) (court should not transfer an action where transfer would merely shift the  
23 burden of inconvenience from the defendant to the plaintiff). Any of the benefits that would  
24 be gained by transfer to New York in terms of access to Defendants’ witnesses and evidence  
25 would largely be offset by the accompanying increase in costs in terms of access to  
26 Plaintiffs’ witnesses and evidence. Judicial economy and the interest of justice also do not  
27 tip the balance in favor of transfer.

28           The Motion to Transfer is DENIED.

1           **C.     Motion for Preliminary Injunction**

2           Plaintiffs move for a preliminary injunction restraining Defendants from using their  
3 allegedly confusingly similar trade name. MPI (Doc. 15) at 1.

4           Injunctive relief is “an extraordinary remedy that may only be awarded upon a clear  
5 showing that the plaintiff is entitled to such relief.” Winter v. Natural Res. Def. Council,  
6 Inc., --- U.S. ----, 129 S.Ct. 365, 376 (2008). “A plaintiff seeking a preliminary injunction  
7 must establish that he is likely to succeed on the merits, that he is likely to suffer irreparable  
8 harm in the absence of preliminary relief, that the balance of equities tips in his favor, and  
9 that an injunction is in the public interest.” Id. at 374. “In Winter, the Supreme Court  
10 disagreed with one aspect of [the Ninth Circuit’s] approach to preliminary injunctions.”  
11 Alliance for Wild Rockies v. Cottrell, 622 F.3d 1045, 1049 (9th Cir. 2010). Specifically,  
12 Winter rejected the Ninth Circuit’s approach under which, in some circumstances, a party  
13 seeking a preliminary injunction had only to show a “possibility” of irreparable harm.  
14 Winter makes clear that the party seeking a preliminary injunction must show that irreparable  
15 harm is “likely.” Id. at 1050.

16           Notwithstanding Winter, the Ninth Circuit has reaffirmed that “the ‘serious questions’  
17 approach survives Winter when applied as part of the four-element Winter test.” Alliance for  
18 the Wild Rockies, 622 F.3d at 1052. “In other words, ‘serious questions going to the merits’  
19 and a hardship balance that tips sharply toward the plaintiff can support issuance of an  
20 injunction, assuming the other two elements of the Winter test are also met.” Id.

21                   **1.     Likelihood of Success on the Merits/“Serious Questions”**

22           Success on a trademark infringement claim requires (1) a valid trademark and (2)  
23 likelihood of confusion. See Brookfield Commc’ns, Inc. v. West Coast Enm’t Corp., 174  
24 F.3d 1036, 1046 (9th Cir. 1999). Because Plaintiffs have a valid trademark, see MPI (Doc.  
25 15) at 5, the focus of the Court’s inquiry is on the likelihood of confusion.

26           Courts analyzing likelihood of confusion look at eight factors: (1) the strength of the  
27 mark; (2) the similarity of the marks; (3) proximity of the goods/services; (4) similarity in the  
28 marketing channels used; (5) the type of goods/services and the degree of care likely to be

1 exercised by purchasers; (6) evidence of actual confusion; (7) defendant's intent in selecting  
2 its mark; and (8) likelihood of expansion into other markets. See AMF Inc. v. Sleekcraft  
3 Boats, 599 F.2d 341, 348 (9th Cir. 1979).

4 **a. Strength of the Mark**

5 The first Sleekcraft factor, strength of the mark, is determined with a two-part test.  
6 The first part is conceptual strength. See J. Thomas McCarthy, McCarthy on Trademarks at  
7 11:83. The second part of the strength analysis is commercial strength, or the marketplace  
8 recognition value of the mark. Id.

9 Conceptual strength is judged on a sliding scale from (1) inherently distinctive marks  
10 (arbitrary and fanciful), meriting strong protection, to (2) suggestive marks, meriting less  
11 protection, to (3) descriptive marks, meriting protection only when secondary meaning has  
12 been established, to (4) generic marks which do not merit protection. Sleekcraft, 599 F.2d at  
13 349. A fanciful mark is a "coined word or phrase, such as Kodak, invented solely to function  
14 as a trademark." Dreamwerks Prod. Group, Inc. v. SKG Studio, 142 F.3d 1127, at 1130 n.7  
15 (9th Cir. 1998). Groovera is a combination of two words, "groove" and "vera." MPI (Doc.  
16 15) at 9. The use of the word "groove" is common in music, especially in reference to the  
17 "chill-out" music available on the Groovera site. See Opp. to MPI (Doc. 31) at 5 ("groove"  
18 is part of the name of numerous online music channels and sites as well as musical artists,  
19 albums, and songs). Unlike a classic fanciful mark such as Kodak, which bears no logical  
20 relationship to the underlying product, Groovera is suggestive of the "groovy" ambient music  
21 available on Groovera. Plaintiff has thus not shown that the mark is conceptually strong.

22 Commercial strength or marketplace recognition is assessed by looking at a range of  
23 indicators, such as whether "similar marks permeate the marketplace" suggesting weak  
24 recognition, Miss World (U.K.) Ltd. v. Mrs. America Pageants, Inc., 856 F.2d 1445, 1449  
25 (9th Cir. 1988), and the number of times the mark has been displayed in the marketplace,  
26 GoTo.com, Inc. v. Walt Disney Co., 202 F.3d 1199, 1207-08 (9th Cir. 2000) (display of a  
27 logo to internet users billions of times was "compelling evidence of the strength" of the  
28 logo). As described above, use of the word "groove" is common in the online music

1 marketplace, weighing against commercial strength. However, the mark has been displayed  
2 to internet users “at minimum tens of millions, and possibly billions, of times” during the  
3 five years of Groovera’s operation, suggesting commercial strength. MPI Reply (Doc. 46) at

4 2. On balance, Plaintiffs show some level of recognition in the market place.

5 On balance, the mark’s conceptual and commercial strength do not favor Plaintiffs or  
6 Defendants, and thus the first factor is neutral.

7 **b. Similarity of the Marks**

8 The second Sleekcraft factor calls for comparison of the marks based on sight, sound,  
9 and meaning. Official Airline Guides, Inc. v. Goss, 6 F.3d 1385, 1392 (9th Cir. 1993).

10 For sight, the consistent use of a logo or other distinctive characteristics may be  
11 considered, even where the words themselves appear similar. See One Indus., LLC v. Jim  
12 O’Neal Distrib., Inc., 578 F.3d 1154, 1164 (9th Cir. 2009). The Groovera mark appears on  
13 groovera.com in lower case, half in blue, half in white, with the tagline “share the love.”  
14 Opp. to MPI (Doc. 31) at 9. The Guvera mark appears in uppercase with a red star in a red  
15 banner on guvera.com. Id. at 10. Thus, on the websites, the marks are distinctive. However,  
16 the marks do not always appear with their respective distinctive fonts, logos, and taglines  
17 when they are outside the websites. MPI Reply (Doc. 46) at 3. The words alone are similar  
18 in sight, although the “oo” and “u” reduce visual similarity.

19 The marks sound similar, with just the “r” in Groovera distinguishing it from Guvera.  
20 This difference is not significant, however, as evidenced by the fact that Plaintiffs registered  
21 at least twenty similar sounding domain names,<sup>2</sup> including “gruvera.com,”  
22 “grovera.com,” and “groovara.com,” but only selected one that does not begin with “gr”  
23 (“goovara.com”). MPI (Doc. 15) at 3 n.1; Quigley Decl. (Doc. 16) ¶ 4. In contrast, Guvera  
24 registered “goovera.com” which is phonetically identical to Guvera. Opp. to MPI (Doc. 31)  
25 at 10.

26  
27 <sup>2</sup>Both Plaintiffs and Defendants undertook the common practice of registering similar-sounding  
28 domain names that redirect users to their respective websites. See MPI (Doc. 15) at 3 n.1; Opp. to MPI  
(Doc. 31) at 10. Defendants explain that companies often register domain names that sound like the  
name of the website but are spelled differently. Opp. to MPI (Doc. 31) at 10.

1 The meaning of the words is less similar. Groovera plainly connotes “groove” or  
2 “groovy” or, phonetically “groove era,” if not the combination of “groove” and “vera”  
3 chosen by Quigley. See FAC (Doc. 13) at 3. In contrast, Guvera’s meaning is less readily  
4 ascertainable. Arguably, when paired with a red star, it effectively connotes Che Guevara  
5 and a sense of revolution, as intended. See Opp. to MPI (Doc. 31) at 1-2. The respective  
6 meanings of the marks are not particularly similar.

7 Overall, the marks are somewhat similar, favoring Plaintiffs, but only slightly.

8 **c. Proximity of the Services**

9 This factor examines whether the public “will mistakenly assume there is an  
10 association between the producers of the related goods, though no such association exists.”  
11 Sleekcraft, 599 F.2d at 350. “When goods are related or complementary, the danger of  
12 confusion is heightened.” M2 Software, Inc. v. Madacy Entm’t, 421 F.3d 1073, 1081-82 (9th  
13 Cir. 2005). However, even when closely related, if the goods differ, this factor will tip only  
14 slightly in favor of plaintiffs. See id. at 1082 (software for business management in music  
15 industry and music distribution closely related to recording companies, but since the music  
16 delivered was very different—acid jazz versus sport-related music—the proximity of goods  
17 factor weighed only slightly in favor of plaintiffs).

18 Here, the services share some similarities but are readily distinguishable. Both  
19 services offer free access to music online, but Defendants’ focus is on free music downloads,  
20 which are not available from Groovera. See Opp. to MPI at 7. This makes Guvera more like  
21 a free online music store, whereas Groovera is more like a free, online radio station. See id.  
22 Further, Guvera covers a broad musical selection, whereas Groovera’s selection is tailored to  
23 “chill-out” music. See id. The differences between the services tip this factor slightly  
24 towards Plaintiffs. See M2 Software, 421 F.3d at 1082.

25 **d. Marketing Channels**

26 Both services advertise online using Twitter, Facebook, MySpace, and publicity from  
27 blogs. MPI Reply (Doc. 46) at 6. Guvera additionally uses traditional commercial  
28 advertising and is not available via iTunes, whereas Groovera is accessible on iTunes. Opp.

1 to MPI (Doc. 31) at 9. While parties use internet marketing in somewhat different manners,  
2 there is significant overlap, and so this factor tips towards Plaintiffs.

3 **e. Type of Services and Degree of Care**

4 If a typical consumer exercises a high degree of care in purchasing the kind of good or  
5 service at issue, this weighs against likelihood of confusion. Sleekcraft, 599 F.2d at 353.  
6 Expensive goods or buyer expertise often weigh against confusion. Id. Here, both services  
7 are free, which typically suggests a low degree of care is required, making confusion more  
8 likely. However, Guvera imposes a higher degree of care on consumers by requiring users to  
9 register and provide personal information to obtain free downloads, which is different than  
10 Groovera and other similar online music services. See Opp. to MPI (Doc. 31) at 11. Thus  
11 this factor tips toward Defendants.

12 **f. Actual Confusion**

13 Evidence of actual confusion is persuasive proof that future confusion is likely, but a  
14 lack of actual evidence is not dispositive. Sleekcraft, 599 F.2d at 352. Where no evidence of  
15 actual confusion is produced and does not appear to be readily available, this factor is not  
16 weighed heavily. Id. at 353. Plaintiffs have not submitted evidence of actual confusion.  
17 MPI (Doc. 15) at 13. This factor thus should not be weighed heavily and is neutral.

18 **g. Intent in Adoption of the Mark**

19 Knowing adoption of a similar mark suggests likelihood of confusion whereas good  
20 faith adoption of a similar mark weighs against likelihood of confusion. Sleekcraft, 599 F.2d  
21 at 354. Here Guvera concedes constructive knowledge of the Groovera mark, but claims to  
22 have adopted the mark in good faith in Australia, prior both to actual knowledge of Groovera  
23 and to undertaking a global trademark search. Opp. to MPI (Doc. 31) at 11-12. Plaintiff  
24 asserts that Guvera's use of the tag line "share the love" (a tag line consistently used by  
25 Groovera) indicates bad faith, but Guvera's prompt cessation of use of the term undercuts  
26 this allegation and instead suggests an inadvertent use of a relatively common phrase. MPI  
27 (Doc. 15) at 7; Opp. to MPI (Doc. 31) at 12. This factor weighs slightly in favor of  
28 Defendants.



1                               **h. Likelihood of Expansion**

2           A “strong possibility that either party may expand his business to compete with the  
3 other will weigh in favor of . . . infring[ement].” Sleekcraft, 599 F.2d at 354. However,  
4 when the goods or services already compete, this factor is not very significant. See Sports  
5 Authority, Inc. v. Prime Hospitality Corp., 89 F.3d 955, 963 (2d Cir. 1996). Here, parties  
6 can fairly be considered in competition as to free “chill-out” or electronica music to some  
7 degree, although the products differ to the extent that Guvera makes songs available for free  
8 download. In this sense, Guvera will not likely further expand into Groovera’s market and  
9 the services already compete. On the other hand, it appears unlikely that Groovera will  
10 expand into Guvera’s market, especially as Guvera intends to expand its offering of media  
11 available for free download. See Opp. to MPI (Doc. 31) at 7. This factor therefore is not  
12 very significant, but favors Defendants.

13                               **i. Conclusion as to Likelihood of Success/Serious Questions**

14           Overall, three factors favor Defendants (one of which is not very significant), three  
15 favor Plaintiffs (two only slightly), and two are neutral. Plaintiffs thus have not established  
16 that they are likely to succeed on the merits, nor have they met the lesser standard of having  
17 raised serious questions as to the likelihood of confusion.

18                               **2. Balance of the Hardships**

19           Notwithstanding Plaintiffs’ failure to raise very “serious questions going to the  
20 merits,” the Ninth Circuit uses a sliding scale test in which a balance of hardships that tips  
21 sharply toward the Plaintiff can support issuance of an injunction, provided the other Winter  
22 elements have been met. See Alliance for the Wild Rockies, 622 F.3d at 1052. Here the  
23 balance of the hardships is at best even. Plaintiff argues that “[i]f the Court allows Guvera to  
24 use its confusingly similar mark . . . Groovera will be irreparably harmed by loss of listeners  
25 and goodwill,” while “Guvera just began operations in the U.S.” MPI (Doc. 15) at 15.  
26 However, Plaintiffs fail to account for the significant harm that would result to Guvera in the  
27 event of an injunction. First, Guvera is the name of Defendants’ company, not only its  
28 website, and its 130,000 subscribers (60,000 in the United States) know it by that name.

1 See Opp. to MPI (Doc. 31) at 19.<sup>3</sup> Second, Guvera has invested over \$20 million in its  
2 business in the last two years, \$2 million of which have gone to advertising and promotion,  
3 all for the name Guvera. Id. at 20. This money would be lost in the event of an injunction.  
4 See Playmakers LLC v. ESPN, Inc., 376 F.3d 894, 898 (9th Cir. 2004) (significant financial  
5 investment would be lost if injunction were to issue). Finally, an injunction would also  
6 diminish Guvera’s goodwill and publicity. See Opp. to MPI (Doc. 31) at 21. Accordingly,  
7 the balance of the hardships by no means tips sharply toward Plaintiffs.

8 **3. Irreparable Harm**

9 Plaintiffs urge that “irreparable injury may be presumed from a showing of likelihood  
10 of success on the merits.” See MPI (Doc. 15) at 13 (citing Marlyn Nutraceuticals, Inc. v.  
11 Mucos Pharma GmbH & Co., 571 F.3d 873, 877 (9th Cir. 2009)). Here, because the Court  
12 concludes that Plaintiffs are not likely to succeed on the merits, irreparable injury cannot be  
13 presumed. Having said that, loss of control over reputation and loss of goodwill are standard  
14 bases for irreparable harm, See, e.g., Rent-A-Center, Inc. v. Canyon Television and  
15 Appliance Rental, Inc., 944 F.2d 597 (9th Cir. 1991). Plaintiffs argue compellingly that  
16 “Groovera stands to lose valuable goodwill by virtue of the association in consumers’ minds  
17 with a heavily commercialized venture,” and add that “Groovera prides itself on operating  
18 independently, free of commercial interruption or subscription and without any corporate  
19 sponsorship.” MPI (Doc. 15) at 14. Accordingly, this element has been met.

20 **4. Public Interest**

21 Plaintiffs argue that “[w]hen consumers are being led to believe there is a relationship  
22 between Plaintiffs and Defendants, when in reality none exists, and consumers are at risk of  
23 being defrauded, the public interest militates against allowing Defendants to continue to  
24 confuse consumers in this fashion.” MPI (Doc. 15) at 15 (citing United States Olympic  
25 Comm., 2009 U.S. Dist. LEXIS 12698, at \*26). This rather overstates what is at stake in this  
26 case: Plaintiffs’ allegation is simply one of confusion. Nonetheless, Defendants did not  
27 dispute this element, and the Court finds that this element has been met.

28 <sup>3</sup> Guvera’s argument that it does not have numerous alternative names to choose from that would  
conjure up the name of Che Guevara, the company’s revolutionary icon, is a weaker point. See id.

1                   **5.     Conclusion as to Preliminary Injunction**

2                   “Serious questions going to the merits’ and a hardship balance that tips sharply toward  
3 the plaintiff can support issuance of an injunction, assuming the other two elements of the  
4 Winter test are also met.” Alliance for the Wild Rockies, 622 F.3d at 1052. Here, while “the  
5 other two elements of the Winter test” have probably been met, Plaintiffs have not raised  
6 serious questions or demonstrated that the balance of the hardships tips sharply in their favor.

7                   The Motion for Preliminary Injunction is therefore DENIED.

8                   **D.     Motion to Strike**

9                   Finally, Plaintiffs move to strike in its entirety the Declaration of Ted Cohen,  
10 Defendants’ online music industry expert, for inclusion of legal opinions and conclusions in  
11 violation of Rules 702 and 704 of the Federal Rules of Evidence. Motion to Strike (Doc. 50)  
12 at 5-6. Experts are generally barred from giving testimony on legal conclusions. See Aguilar  
13 v. Int’l Longshoremen’s Union, 966 F.2d 443, 447 (9th Cir. 1992). While Mr. Cohen’s  
14 Declaration is organized in part around four of the Sleekcraft factors, the declaration uses  
15 these as categories for commentary on consumer habits, the nature of the online music, etc.,  
16 based on Mr. Cohen’s experience in the online music industry. See generally Cohen Decl.  
17 (Doc. 33). In addition, the Court’s ruling does not depend on the Cohen Declaration.  
18 Accordingly, Plaintiffs have not met their burden to prove the entire declaration should be  
19 excluded.

20                   The Motion to Strike is DENIED.

21                   **III.    CONCLUSION**

22                   For the foregoing reasons, the Court: (A) DENIES the Motion to Dismiss for Personal  
23 Jurisdiction as to Guvera USA; (B) GRANTS the Motion to Dismiss for Personal  
24 Jurisdiction as to Guvera IP<sup>4</sup>; (C) DENIES the Motion to Dismiss for Failure to State a  
25 Claim; (D) DENIES the Motion to Transfer; (E) DENIES the Motion for Preliminary

26 //

27 //

28                   <sup>4</sup> If, in the course of discovery with the remaining parties, Plaintiffs become aware of new jurisdictional facts, they may ask the Court to reconsider its dismissal on this basis.

1 Injunction; and (F) DENIES the Motion to Strike.

2 **IT IS SO ORDERED.**

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4 Dated: December 20, 2010

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CHARLES R. BREYER  
UNITED STATES DISTRICT JUDGE