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HANGINOUT, INC.

UNITED STATES DISTRICT COURT

SOUTHERN DISTRICT OF CALIFORNIA

HANGINOUT, INC., a Delaware corporation,

Plaintiff,

vs.

GOOGLE, INC., a Delaware corporation,

Defendant.

Case No. 3:13-cv-02811-AJB-NLS

MEMORANDUM OF POINTS AND AUTHORITIES IN SUPPORT OF PLAINTIFF HANGINOUT, INC.'S MOTION FOR PRELIMINARY INJUNCTION

Date: March 13, 2014
Time: 2:00pm
Dept: 3B
The Honorable Anthony J. Battaglia

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Plaintiff Hanginout, Inc. ("Hanginout" or "Plaintiff") moves to preliminarily enjoin Google, Inc. ("Google" or "Defendant"), requiring Defendant to cease use of the term "Hangouts" from its messaging platforms and social media, cease use of its Question and Answer ("Q&A") platform, and cease advertising and solicitation utilizing the term "Hangouts" in connection with its messaging platform.

Hanginout is a San Diego based technology company that has developed revolutionary mobile-video based communication products. San Diego native Justin Malone began utilizing the HANGINOUT Mark in 2008 in association with Hanginout's novel Q&A social-media application that gives users the ability to easily build and publish personal video profiles complimented with a video publishing tool to create mobile video content. Hanginout filed federal trademark applications for the HANGINOUT word and design marks in July 2012 and launched the app for its services on iTunes in September 2012. The USPTO recently issued a Notice of Publication for each of Hanginouts' trademark applications.

Google launched its HANGOUTS "live" chat platform after Hanginout had launched and marketed its Q&A platform. Its HANGOUTS platform received significant media criticism for its lack of a Q&A platform. So in September 2013, Google added a "Q&A app" to allow users of its HANGOUTS platform to ask questions, and receive answers. Others can then click on the question to receive an answer as well. Thus, Google began offering the same services as Hanginout under the HANGOUTS mark as Hanginout offers under its HANGINOUT mark.

Obviously both Hanginout and Google's highly-related services cannot exist under virtually identical marks. Confusion is just too likely. The USPTO already rejected Google's recent trademark application for this very reason. Hanginout thus seeks a preliminary injunction at the outset of this case because, if Google is allowed to continue its uses of the mark through trial, Google will have already stolen away the goodwill of Hanginout's HANGINOUT mark.

Google could have easily avoided selecting an infringing mark for its competing services. But it did not. It is unfair for Google to steal a mark that was first carefully and organically developed for at least 3 years by Hanginout. An injunction should issue to protect Hanginout's trademark, pending resolution of this lawsuit.

I. FACTUAL BACKGROUND

A. The HANGINOUT Platform and Federal Trademark Applications

Hanginout developed the HANGINOUT interactive video-response application to gives users the ability to easily build and publish engaging video profiles. [Declaration of Justin Malone in Support of Hanginout, Inc.'s Motion for Preliminary Injunction ("Malone Decl."), ¶ 3.] One of the application's distinguishing features is a question and answer capability giving users the unique ability to field questions from other users, by recording and publishing responses, then sharing them from anywhere at any time. [Malone Decl., ¶ 4.] The Hanginout Pro application also provides real-time analytic solutions that analyze website demographics, usage, and audience interests. [Malone Decl., ¶ 5.]

Hanginout adopted the HANGINOUT logo and word mark in November 2008. [Malone Decl., ¶ 6, Ex. 1.] For the first year or so, Hanginout developed business plans, and the technological know-how to accomplish its vision for a social media platform that allowed celebrities, politicians, businesses, and everyday people looking to organize their social media connections, the way to connect with others through a highly-interactive video Q&A format. [Malone Decl., ¶ 7.] Hanginout's vision in early 2009 was to enable every consumer and business to interact via mobile video. [Malone Decl., ¶ 8.] To accomplish their vision, Hanginout created a free mobile platform allowing consumers to engage each other through interactive video and empower brands to engage their consumers in a compelling, interest-driven way. [*Id.*]

By March 2010, to promote its product, Hanginout began partnering with

celebrities and professional athletes to create HANGINOUT profiles for its interactive social-media platform. [Malone Decl., ¶ 9, Ex. 2.] Since March 2010, celebrities, professional athletes and public figures have created Hanginout accounts and published content on the HANGINOUT platform. [Malone Decl., ¶ 10.]

The HANGINOUT mark was first used on Facebook on March 22, 2010 [Malone Decl., ¶ 9, Ex. 2.] In March and April 2011, consumers began registering HANGINOUT profiles and endorsing the product on social-media platforms such as Twitter and Facebook. [Malone Decl., ¶ 11, Ex. 3.] Hanginout also announced on Twitter the release of its beta and demo platforms. [*Id.*] Additionally, from April 1, 2011 to April 20, 2011, Hanginout invited hundreds of contacts to register profiles for the HANGINOUT platform. [Malone Decl., ¶ 12.]

On May 4, 2011, Hanginout began an aggressive marketing campaign for its video Q&A platform. Hanginout launched several social-media advertising initiatives to promote the application. For example, Hanginout posted a preview of the HANGINOUT platform on LinkedIn. [Malone Decl., ¶ 13, Ex. 4.] Hanginout also created and posted a YouTube video (created in March 2010) explaining the HANGINOUT platform and an overview of its general capabilities, hosted by NFL athlete and celebrity Shawne Merriman. [Malone Decl., ¶ 14, Ex. 5.]

On May 23, 2011, Tech Cocktail—a media company and events organization for startups, entrepreneurs, and technology enthusiasts—endorsed Hanginout's "Interactive Video Q&A Platform" on Facebook. [Malone Decl., ¶ 15, Ex. 6.]

On the same day, Tech Cocktail released an online article endorsing the Hanginout platform, noting: "If you publish content online, whether it's a blog, eBooks, videos, or something in between, Hanginout's interactive video Q&A platform gives you an engaging and informative way to connect with your audience." [Malone Decl., ¶ 16, Ex. 7.] Accurately describing the HANGINOUT platform, the Tech Cocktail article emphasized, "What really makes Hanginout stand apart from

other online video sites is the interactive ability of the video. Instead of simply broadcasting content, you're directly engaging with the audience." [*Id.*]

By the end of May 2011, over 200 customers had actually registered for and used Version 1.0 of the HANGINOUT Q&A platform. [Malone Decl., ¶ 17.]

On June 1, 2011, Hanginout, Inc. was officially formed as a corporation. The founder assigned over its rights in the HANGINOUT brand to the company. [Malone Decl., ¶ 18.] On June 9, 2011, Hanginout released another YouTube video detailing some key elements of the HANGINOUT platform. [Malone Decl., ¶ 19, Ex. 8.]

On October 24, 2011, San Diego Mayoral candidate Carl DeMaio utilized HANGINOUT to create a "virtual town hall" for his campaign. [*Id*., ¶ 20, Ex. 9.]

On April 10, 2012, Hanginout offered the Hanginout Pro application to provide additional capabilities to its existing customers. [*Id*., ¶ 21, Ex. 10.] The Hanginout Pro application permitted users to build an interactive profile to receive questions and publish video responses instantly. [*Id.*]

On, July 6, 2012, fiercely popular professional skateboarder Mitchie Brusco launched an application utilizing the HANGINOUT platform to stay in touch with his friends and fans. [Malone Decl., ¶ 22, Ex. 11.] Mr. Brusco described his application—aptly summarizing the Q&A platform—by noting (in part):

- "As I'm on the road most of the time I don't get as much time as I would like to hang out with friends, family and fans - so we created the next best thing."
- "The Hanginout App gives all of you an opportunity to hang with me, ask me questions and get my video answers. I might even have a few tips or tricks up my sleeve for those who hang the most."

[*Id.*] ESPN ran an article about the Brusco application and HANGINOUT platform on July 19, 2012, in conjunction with the popular upcoming X-Games. [Malone Decl., ¶ 23, Ex. 12.]

On July 12, 2012, to protect the HANGINOUT mark, Hanginout filed for U.S.

trademark applications. See Complaint, Exs. A, B.

On September 16, 2012, Hanginout officially launched a HANGINOUT iOS app in the iTunes Application Store. [Malone Decl., ¶ 24.] Apple chose to feature the HANGINOUT App in its social-media based applications. [*Id.*]

On September 18, 2012, iSnoops—a website that reviews iTunes applications—endorsed the HANGINOUT platform. [Malone Decl., ¶ 25, Ex. 13.]

On September 28, 2012, AppAnnie ranked the HANGINOUT Application fourth in the United States and first in Sweden for social-media based applications Apple chose to feature. [Malone Decl., ¶ 26, Ex. 14.]

On November 1, 2012, celebrity and recording artist Sean "Puff Daddy" Combs wished Hanginout CEO Justin Malone happy birthday on Twitter while referencing the Hanginout Application. [Malone Decl., ¶ 27, Ex. 15.]

As part of Hanginout's efforts to police its Mark, Hanginout learned that the Mark HANGOUT existed (Reg. No. 3857338). [Malone Decl., ¶ 28.] As a result, on December 3, 2013, Hanginout filed a petition to cancel the HANGOUT registration. [*Id.*]. The petition was granted and the HANGOUT registration was canceled on May 6, 2013. [Malone Decl., ¶ 28, Ex. 16.]

Google Analytics reports ("Google Reports") from October 2012 through December 23, 2013, monitored traffic through the HANGINOUT iOS Application. [Malone Decl., ¶ 29.] The Google Reports confirm that the Hanginout Application was viewed over 1,000,000 times since October 2012; viewed by consumers in 112 countries throughout the world; and viewed by consumers throughout the United States with the largest quantity of consumers in California, specifically Los Angeles and San Diego counties. [Malone Decl., ¶¶ 30-33, Exs. 17-20.]

Since the HANGINOUT platform had its iTunes launch on September 12, 2012 through December 23, 2013, the HANGINOUT Application was viewed 1,047,549 times. [Malone Decl., ¶ 30, Ex. 17.] Additionally, 87.5 percent of visitors

have returned. [*Id.*] As of December 23, 2013, the HANGINOUT Application was viewed by at least one consumer in each of 112 countries. [*Id.*, ¶ 31, Ex. 18.] The U.S. ranks highest among all these countries. [*Id.*] As of December 23, 2013, the top five states with the most visits are California (29,985 visits), New York (7,056 visits), Florida (3,506 visits), Michigan (2,701 visits) and Texas (2,629 visits). [*Id.*] No state has less than 6 viewers to have visited the Application. [Malone Decl., ¶ 32, Ex. 19.]

Of the 29,985 visits from California consumers, the three cities with the most visits were Los Angeles (4,456 visits), Carlsbad (4,191 visits) and San Diego (3,726 visits). [Malone Decl., ¶ 33, Ex. 20.] In total, there were 347 California cities with at least one Application view. [*Id.*]

On December 17, 2013, the USPTO Publication & Issue Review was completed, with a publication date of January 21, 2014. [Malone Decl., ¶ 38, Ex. 21.] As a result, the HANGINOUT design and word mark registrations are imminent.

B. Google Launches Hangouts

1. Google's Hangouts Platforms

On June 28, 2011, Google's official blog contained an announcement for the Google+ project, noting that its new messaging platform "+Hangouts" was beginning a field trial. [Malone Decl., ¶ 39, Ex. 22.] At that point, Hangouts was only an advertised feature of Google+ and a live video-chat program. [*Id.*] Google initially referred to its platform as "+Hangouts".

Notably, Google has used several variation of term "Hangouts" including, but not limited to, "+hangouts", "Google+ : Hangouts", and "Google+ Hangouts." For example, as of January 16, 2014, the first search result utilizing Google's search engine for "What is Google Hangouts" provides, "Google+ Hangouts is an instant messaging and video chat platform developed by Google, which launched on May 15, 2013 during the keynote of its I/O development conference…" [*Id.*, ¶ 41, Ex. 24.]

Despite using inconsistent variations of "Hangouts," on April 26, 2013, Google

filed a federal trademark application to register the mark "Hangouts," Application Serial No. 85916316. [Malone Decl., ¶ 42 Ex. 25.] In early May, 2013, Google released its "Hangouts" iTunes application. [Malone Decl., ¶ 40 Ex. 23.] On or about May 15, 2013, Google announced the initial release of Hangouts, its social-media based video-chat service that enables both one-on-one and group chats. [Malone Decl., ¶ 41, Ex. 24.]

On July 30, 2013, however, the U.S. Patent and Trademark Office suspended Google's Hangouts application because of Hanginout's HANGINOUT mark. [Malone Decl., ¶ 43, Ex. 26.] The suspension notice concluded that if the HANGINOUT mark registers, Google may be prevented from receiving a trademark registration for "Hangouts" based on likelihood of confusion with the HANGINOUT mark. Disregarding the assessment of US government, Google continued to aggressively market its Hangouts platforms.

On September 12, 2013, Google introduced its "Live Q&A for Hangouts On Air," mirroring the HANGINOUT platform's capabilities. [Malone Decl., ¶ 44, Ex. 27.] At this point, Google was calling its platform "Hangouts On Air." [*Id.*]

Virtually identical to the HANGINOUT application, Google's website described its Hangouts Q&A platform as:

> *The first of many features to help you engage with your viewers. If you're hosting the broadcast, you'll now be able to:*
>
> *- Solicit questions from up to a million concurrent viewers*
> *- Select and answer questions live*
> *- Timestamp the YouTube recording by marking questions as you answer them*

Google's website included comments with 20+ references to "Hangouts." [*Id.*]

II. LEGAL STANDARD

"A plaintiff seeking a preliminary injunction must establish that he is likely to succeed on the merits, that he is likely to suffer irreparable harm in the absence of

preliminary relief, that the balance of equities tips in his favor, and that an injunction is in the public interest." *Marlyn Nutraceuticals, Inc. v. Mucos Pharma*, 571 F.3d 873, 877 (9th Cir. 2009) (quoting *Winter v. Natural Res. Def. Council, Inc.*, 555 U.S. 7, 20 (2008)). Under the Ninth Circuit's sliding-scale approach, "the elements of the preliminary injunction test are balanced, so that a stronger showing of one element may offset a weaker showing of another." *Alliance for the Wild Rockies v. Cottrell*, 632 F.3d 1127, 1131 (9th Cir. 2011).

III. ARGUMENT

A. Hanginout is Likely to Succeed on its Trademark Infringement and Unfair Competition Claims

On this motion for preliminary injunction, Hanginout relies on both its Lanham Act claims for trademark infringement and unfair competition claims. For the foregoing reasons, Hanginout is likely to prevail on both of these claims.

1. Google Has Infringed Hanginout's Valuable HANGINOUT Trademark

A claim of trademark infringement requires: (1) a valid, protectable mark, (2) superior ownership (priority), and (3) a likelihood of confusion. *See Brookfield Communications, Inc. v. West Coast Entertainment Corp.*, 174 F.3d 1036, 1046 (9th Cir. 1999); Ninth Circuit Model Jury Instruction 15.5.

a. The HANGINOUT Mark is Valid and Protectable

The first prong under the test for trademark infringement is whether the mark is valid. Trademark law protects inherently distinctive marks, as well as marks which have become inherently distinctive by virtue of sufficient use. *Fortune Dynamic v. Victoria's Secret Stores Brand*, 618 F. 3d 1025, 1032-33 (9th Cir. 2010). Plaintiff has two pending federal applications for the HANGINOUT word and design marks. The USPTO approved both for publication under Section 2(b), meaning the USPTO found them to be inherently distinctive of Hanginout's services (a descriptive mark

with secondary meaning must be registered under Section 2(f)). Thus, as the USPTO found, the mark is likely to be valid and protectable.

b. Hanginout has Superior Ownership in the HANGINOUT Mark

Hanginout has superior ownership in the HANGINOUT mark because of: (1) its prior use; (2) its market penetration at the relevant time was either nationwide or in Southern California with a nationwide natural zone of expansion, and (3) the presumption of nationwide ownership based on first use that Hanginout is likely to obtain for its two pending federal trademark applications.

i. Prior Use

"It is axiomatic in trademark law that the standard test of ownership is priority of use." *Conversive, Inc. v. Conversagent, Inc.*, 433 F. Supp. 2d 1079, 1089 (C.D. Cal. 2006) (quoting *Brookfield Communications*, 174 F.3d at 1046 (internal quotation marks and citation omitted)). To establish ownership of a trademark, the party claiming ownership must have been first to actually use the mark. *Rearden LLC v. Rearden Commerce*, 683 F.3d 1190, 1204-1206 (9th Cir. 2012). Use is shown by a totality of the circumstances. *Id.* at 1205. Here the totality of the circumstances establishes that Hanginout substantially used its HANGINOUT mark in commerce before Google used the HANGOUTS mark.

In March 2010, Shawne Merriman shot a HANGINOUT promotional video and Hanginout's Facebook profile was uploaded. [Malone Decl., Ex. 2.] By April 2011, as a result of Hanginout's promotional efforts, over 200 customers registered for and used Version 1.0 of the HANGINOUT Q&A platform. [Malone Decl., ¶ 17.]; *Chance*, 242 F.3d at 1157 (even a single bona fide sale is sufficient to show "use").

The marketing campaign for the HANGINOUT services – all of which used the HANGINOUT mark – was aggressively and very publicly pursued starting in May 2011, including via LinkedIn and Twitter posts, and a celebrity YouTube video.

DSPT v. Nahum, 624 F.3d 1213, 1222 (9th Cir. 2010) (exhibit at fashion show established "use").

The reach of the services was avidly expanded, launching an iTunes app by September 2012 that was featured by Apple and attained the #4 iTunes ranking (a testament to the notoriety that already existed for the HANGINOUT platform before the smart phone app was released). [Malone Decl., ¶¶ 24-25, Ex. 13.]

This activity (explained in more detail in Section I(A) above), establishes by the totality of the circumstances that Hanginout's first use in commerce was prior to Google's first use in commerce. *Vasanova*, 2012 U.S. Dist. LEXIS 176276 **17-18. Conversely, Google launched its Q&A platform in only September 2013, after receiving its suspension notice from the USPTO. Hanginout therefor has priority of use in the HANGINOUT Mark.

ii. Market Penetration Is Either Nationwide, or at least Southern California with a Nationwide Zone of Expansion

A senior user's common law ownership rights extend not only to its geography of market penetration, but also its natural zone of expansion. *Brookfield*, 174 F.3d at 1047. Optimal *Pets, Inc. v. Nutri-Vet, LLC*, 877 F. Supp. 2d 953, 959 (C.D. Cal. 2012). "Legally sufficient market penetration is determined by examining the trademark user's volume of sales and growth trends, the number of persons buying the trademarked product in relation to the number of potential purchasers, and the amount of advertising." *Id.* (internal citations omitted).

Hanginout's users are nationwide. It had a Facebook profile by March 2011, and over 200 registered users of its web-based platform in the U.S. by May 2011. *Taylor v. Thomas*, 2013 U.S. Dist. LEXIS 8222 (W.D. Tenn. Jan. 22, 2013) (use of mark on real estate agent's personal page was sufficient; for market penetration, "use of a service mark, however, need not be extensive or 'result in deep market penetration or widespread recognition.'") (*quoting Allard Enters. v. Advanced*

Programming Res., Inc., 146 F.3d 350, 358 (6th Cir. Ohio 1998)). Its smart phone app has 30,000 visits from California consumers, 7000 from New York, 3500 from Florida, 2700 from Michigan, 2600 from Texas, and indeed consumers from every state have viewed its app. [Malone Decl., ¶ 32, Ex. 19.] Of these, its registered users number nearly 8000. [*Id*., ¶ 17.] Celebrity use has ensured a broad audience, including Shawne Merriman, notable mayoral candidate (and now candidate for Congress) Carl DeMaio, and various other celebrities. [*Id*., ¶¶ 10, 20; Ex. 9.]

While geographic boundaries for common law trademarks are sometimes drawn around cities or states, there is no real disputing that both Hanginout and Google's inherently internet-based services create a naturally national marketplace. Similar to physical stores not requiring a buyer on every street of a city to penetrate that city, or in every zip code to penetrate a state, myopic "physical geographic line-drawing are ineffective at corralling purely virtual companies." *Location, Location, Location, a New Solution to Concurrent Virtual Trademark Use*, 11 Wake Forest J. Bus. & Intell. Prop. L. 329, 349 (2011). A nationwide marketplace based on internet use is natural, because the internet permits small trademark users to sell their goods and services to broad geographic areas. *Lucent Info. Mgmt. v. Lucent Techs., Inc.*, 186 F.3d 311, 325 (3d Cir. Del. 1999) (Diss.) (an approach that ignores this, "penalizes small companies which take advantage of the national market"); *Pure Imagination, Inc. v. Pure Imagination Studios, Inc.*, 2004 U.S. Dist. LEXIS 23064 (N.D. Ill. Nov. 12, 2004) ("operation of an active website on the Internet could constitute nationwide trademark use").

As aptly explained in *Archer Daniels Midland Co. v. Narula*, 2001 U.S. Dist. LEXIS 9715, 33-38 (N.D. Ill. July 10, 2001), attempting to draw lines of geographic limit around what are clearly internet users of a mark, in order to determine priority on something other than first use, is simply inappropriate and unwarranted. *Archer Daniels Midland Co. v. Narula*, 2001 U.S. Dist. LEXIS 9715, 33-38 (N.D. Ill. July

10, 2001). Such geographic boundaries were meant as equitable protections against junior users where the parties are in arguably remote geographical markets, not as a mechanism to supplant ownership of a first-comer. *Id.* **36-38. Thus, Hanginout's penetration through cyberspace is treated as penetration of the entire United States.

But even supposing the market were more narrowly drawn, taking California or Southern California as an example market shows that Hanginout at least penetrated this market, with a nationwide zone of expansion giving it priority nationwide. *Brookfield*, 174 F.3d at 1047.

Here, Hanginout's HANGINOUT mark has market penetration in California given its growth trends and advertising efforts. For example, of the 29,985 visits from California consumers to the HANGINOUT Application, the three cities with the most visits were Los Angeles (4,456 visits), Carlsbad (4,191 visits) and San Diego (3,726 visits). [Malone Decl., ¶ 33, Ex. 20.] Additionally, the Hanginout App has been downloaded over 10,000 times from the iTunes store. [Malone Decl., ¶ 45, Ex. 28.]

Concerning expansion, the zone of natural expansion doctrine provides a senior user with the ability to expand beyond its current actual use to protect its ownership rights. J. McCarthy, *Trademarks and Unfair Competition* § 26:8, at 302 (2d Ed. 1984). Factors to consider when determining the natural zone of expansion include:

> (1) How great is the geographical distance from the senior user's actual location to a point on the perimeter of the zone of expansion?
>
> (2) What is the nature of the business? Does it already have a large or small zone of actual market penetration or reputation?
>
> (3) What is the history of the senior user's past expansion? Has it remained static for years, or has it continually expanded into new territories? Extrapolating prior expansion, how long would it take the senior user to reach the periphery of the expansion zone he claims?
>
> (4) Would it require an unusual 'great leap forward' for the senior user to enter the zone, or is the zone so close to existing locations that expansion would be (or is) a logical, gradual, step of the same length as those previously made?

Glow Indus. v. Lopez, 252 F. Supp. 2d 962, 985-986 (C.D. Cal. 2002).

Here, were Hanginout's territory defined more narrowly as California, its natural zone of expansion is still, at a minimum, nationwide.

(A) The geographical distance between the HANGINOUT senior user's San Diego location to the perimeter of the zone of expansion captures the entire United States

The geographical distance from the HANGINOUT senior user's actual San Diego location to a point on the perimeter of the zone of expansion spans, at a minimum, the entire United States. The Google Analytics Reports confirm that as of December 2013, two out of the top three states with the most visits to the HANGINOUT Application were on the east coast. [Malone Decl., ¶ 32, Ex. 19.] Specifically, New York had 7,056 visits (second in the top three) and Florida has 3,506 visits. [*Id.*] This broad user base is completely natural, given social media exists completely in the cyber world, and Hanginout's services provide people a way to connect in that cyber world. Accordingly, this factor strongly confirms HANGINOUT's zone of expansion captures the entire U.S.

(B) The HANGINOUT platform already has a large zone market penetration

Here, even apart from its market penetration nationwide, Hanginout's internet-based platform also strongly confirms that its natural zone of expansion is nationwide. The nature of the business is an online social media platform, that is easily accessible nationwide. There are no inherent geographical limits to the business that would hold it back from expanding, and the nature of social media (especially a ".com") is to pervade the national market.

Hanginout's reputation and penetration for its HANGINOUT business has indeed been nationwide, with thousands of users from each of California, New York, Florida, Michigan and Texas, on par with the number of visitors from its Southern California birthplace of Los Angeles, Carlsbad and San Diego. [Malone Decl., ¶¶ 31-

33, Exs. 18-20.] Thus, the current zone of penetration confirms that the nature of the services offered is far flung enough to warrant a national zone of expansion.

(C) The HANGINOUT platform is a natural platform and has expanded into new domestic and international territories

Additionally, Hanginout has continuously and consistently expanded its business well before Google adopted the infringing mark. Hanginout's expansion history reveals that its growth has been dynamic and continually expanded into new domestic and international territories including 112 different countries spanning the globe. [Malone Decl., ¶ 31, Ex. 18.]

This zone of expansion has been the plan from the very beginning. Hanginout's vision reveals that the platform, like every other major social media platform in the United States, was meant to transcend and reach into every home, every business, in the United States.

(D) A nationwide zone of expansion is consistent with the HANGINOUT platform's previous growth

Since its aggressive marketing campaign in May 2011, Hanginout's platform has continued to grow into states and countries regardless of physical distance, given its virtual platform. In 2012 this included 8,691 downloads of the Hanginout App, 288 for the Hanginout Pro and 522 for Hanginout with Mitchie Brusco. [Malone Dec. ¶ 45, Ex. 28.] In 2013, downloads continued with the Hanginout App receiving 1419 downloads, Hanginout Pro 75, and Hanginout with Mitch Brusco 1174. [*Id.*]

Accordingly, even if Hanginout's HANGINOUT mark were not treated as having penetrated the entire national market, its natural zone of expansion still expands its ownership nationwide.

iii. Hanginout's Pending Federal Trademark Applications Mean that First Use in Commerce is Most Important in Assessing Ownership for this Preliminary Injunction Motion

As a result of Hanginout's soon-to-be-issued registrations, Hanginout will have

a natural presumption of ownership for HANGINOUT based on first-use date regardless of market penetration and any specific geography. [Malone Decl., ¶ 38, Ex. 21.]; 15 U.S.C. §§ 1057(b), 1115(a); 9th Cir. Jury Instr. 15.7. Preliminary injunctions measure likelihoods of success at trial. By trial, so long as Hanginout has the first use date, the registration of its mark is inevitable, and that first use date will extend priority nationwide as of that date. Thus, for purposes of a preliminary injunction, unless Google can show it had an earlier first use date, any arguments of "market penetration" are not likely to prevail at trial. Thus, on this motion, the strongest likelihood of success folds into the first use date, not the likely mooted market penetration inquiry.

c. Google's HANGOUTS is Likely to Cause Confusion

Hanginout is also likely to prevail because Google's use of HANGOUTS and "Hanging Out" is likely to cause confusion with HANGINOUT. *See AMF Inc. v. Sleekcraft Boats*, 599 F.2d 341, 349 (9th Cir. 1979). The types of likely confusion protected against are broad, and include wherever use of a mark "is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person." 15 U.S.C. § 1125(a)(1).

In assessing likelihood of confusion, courts assess the following factors: (1) the strength of the mark; (2) proximity of the goods; (3) similarity of the marks; (4) evidence of actual confusion; (5) marketing channels used; (6) type of goods and the degree of care likely to be exercised by the purchaser; (7) the defendant's intent in selecting the mark; and (8) likelihood of expansion of the product lines. *Sleekcraft*, 599 F.2d at 349. The analysis, however, is not to be considered in a mechanical fashion, and instead the importance of each *Sleekcraft* factor will vary in each particular case. *Brookfield*, 174 F.3d at 1055 n.16. "The test is a fluid one and the

plaintiff need not satisfy every factor, provided that strong showings are made with respect to some of them." *Perfumebay.com Inc. v. eBay Inc.*, 506 F.3d 1165, 1173 (9th Cir. 2007). Here, these factors establish a strong likelihood of confusion.

iv. Proximity of the goods

"For related goods, the danger presented is that the public will mistakenly assume there is an association between the producers of the related goods, though no such association exists." *Sleekcraft*, 599 F.2d 341. Proximity considers whether the goods/services are: (1) complementary; (2) sold to the same class of purchasers; and (3) similar in use and function. *Id.* at 350.

Hanginout offers its social-media based platform through the iTunes application store [Malone Decl., ¶ 24.] On September 12, 2013, Google launched its "Live Q&A for Hangouts On Air" platform, which can be downloaded as a smartphone app on iTunes and GooglePlay. [Malone Decl., ¶ 24, Exs. 27 and 31.] Indeed, Google's Hangouts platform fits squarely within Hanginout's pending registration with Serial Nos. 85674801 and 85674799 for:

- "Computer application software for mobile devices for sharing information, photos, audio and video content in the field of telecommunications and social networking services;"
- "Telecommunications services, namely, providing online and telecommunication facilities for real-time and on-demand interaction between and among users of computers, mobile and handheld computers, and wired and wireless communication devices;"
- " audio, text and video broadcasting services over the Internet or other communications networks, namely, electronically transmitting audio clips, text and video clips;"

- "electronic messaging services enabling individuals to send and receive messages via email, instant messaging or a website on the Internet in the field of general interest;" and
- "providing online forums for communication on topics of general interest; providing an online forum for users to share information, photos, audio and video content to engage in social networking."

Echoing HANGINOUT's capabilities, Google's website described the Hangouts Q&A platform as:

> *The first of many features to help you engage with your viewers. If you're hosting the broadcast, you'll now be able to:*
> *- Solicit questions from up to a million concurrent viewers*
> *- Select and answer questions live*
> *- Timestamp the YouTube recording by marking questions as you answer them*

[Malone Decl., ¶ 24, Ex. 27.] The HANGINOUT and Google products therefore are not just complimentary, they directly overlap. Accordingly, this factor strongly favors a likelihood of confusion because the goods and services offered are not only complimentary but directly competitive and identical.

v. Similarity of HANGINOUT and HANGOUTS

The greater the similarity between the two marks at issue, the greater the likelihood of confusion. *Entrepreneur Media, Inc. v. Smith*, 279 F.3d 1135, 1144 (9th Cir. 2002). "[L]ess similarity between the marks will suffice when the goods are complementary, . . . the products are sold to the same class of purchasers, . . . or the goods are similar in use and function." *Sleekcraft*, 599 F.2d at 341. Courts will determine whether the marks are similar in sight, sound, and meaning. *Surfvivor Media, Inc. v. Survivor Prods*., 406 F.3d 625, 633 (9th Cir. 2005); *see also Brookfield*, 174 F.3d at 1046 n.6 (noting same standard applies to both registered and unregistered trademarks).

A modified spelling or slight alternation in the phonetic pronunciation of a mark does not mitigate against a likelihood of confusion. *See Banff, Ltd.* v. *Federated Dep't Stores, Inc.*, 841 F.2d 486, 491 (2d Cir. 1988) (finding a likelihood of confusion between B WEAR and BEE WEAR for women's clothing). Additionally, courts must also assume that consumers will not use heightened care in pronouncing trademarks. *Baker v. Simmons Co.*, 307 F.2d 458, 465 (1st Cir. 1962) (finding SIMMONDS and SIMMONS essentially identical in sound).

Here, HANGINOUT and HANGOUTS are nearly identical in sight, sound and meaning, Google used a form of the word "hang" that lacks the "in" and refers to its mark by the plural instead of singular. The words are in the same order, and both remove the space between the words. As the *Baker* court warned:

> Perhaps on the tongues of linguists or precisionists, variations of articulation could be perceived. However, to the ear of the average person the two names would pass as one. Ordinary consumers are assumed to have neither perfect pronunciation nor perfect hearing when it comes to trademarks.

Id.

Additionally, in suspending Google's trademark application , the USPTO warned Google if the HANGINOUT Mark registers, Google's "mark may be refused under Section 2(d) because of a likelihood of confusion with that registered mark(s)." [Malone Decl., ¶ 43, Ex. 26.] The USPTO's determinations are entitled to deference. Given the effort used by Google to inundate consumers with the term "Hangout," there can be no doubt that consumers are likely to see the HANGINOUT and HANGOUTS marks as inseparable and associated. Accordingly, this factor strongly favors a likelihood of confusion.

vi. Marketing channels used

"Convergent marketing channels increase the likelihood of confusion." *Official Airline Guides, Inc., v. Goss*, 6 F.3d 1385, 1394 (9th Cir. 1993) quoting *Nutri/System, Inc. v. Con-Stan Indus., Inc.*, 809 F.2d 601, 606 (9th Cir. 1987). Both companies rely

heavily on the internet as a primary marketing channel. [Malone Decl., ¶¶ 9-19, Exs. 2-8.] (describing advertising efforts on YouTube, internet blogs and internet articles)]. Both also use smart phone apps (available through iTunes) to provide their services. [*Id.* & Ex. 31] Thus, the overlap of marketing channels supports confusion.

vii. The strength of the HANGINOUT Mark

"The strength of the trademark is evaluated in terms of its conceptual strength and commercial strength." *Mortgage Elec. Registration Sys. v. Brosnan*, 2009 U.S. Dist. LEXIS 87596, at *13 (N.D. Cal.) (citing *Brookfield*, 174 F.3d at 1058). In terms of conceptual strength, "[m]arks are often classified in one of five categories of increasing distinctiveness: (1) generic, (2) descriptive, (3) suggestive, (4) arbitrary, or (5) fanciful." *Kendall-Jackson Winery, Ltd. v. E. & J. Gallo Winery*, 150 F.3d 1042, 1047 (9th Cir. 1998). "The latter three characterizations are inherently more distinctive and, hence, are associated with stronger marks." *Mortgage Elec. Registration Sys.*, 2009 U.S. Dist. LEXIS 87596, at *13 (citing *Kendall-Jackson Winery*, 150 F.3d at 1047).

Here, at a minimum, the Hanginout Mark is suggestive if not stronger. A suggestive mark is one that "requires a mental leap from the mark to the product." *Network Automation, Inc. v. Advanced Sys.*, 638 F.3d 1137, 1144 (9th Cir. 2011) quoting *Brookfield*, 174 F.3d at 1058. "If the mental leap between the word and the product's attribute is not almost instantaneous, this strongly indicates suggestiveness, not direct descriptiveness." *Network Automation*, 638 F.3d at 1144 (quoting *Self-Realization Fellowship Church v. Ananda Church of Self-Realization*, 59 F.3d 902, 911 (9th Cir. 1995)) (other internal quotation marks and citation omitted). A mental leap is required from the term "HANGINOUT" to the product's features. See Complaint, Exs. A, B. The USPTO agreed in allowing Hanginout's trademark applications. [*Id.*] Hence, the mark is strong.

Additionally, Google has admitted HANGINOUT is inherently distinctive.

Google's Trademark list, located at www.google.com/permissions/trademark/our-trademarks.html, includes, "Hangouts™ messaging service." [Malone Decl., ¶ 46, Ex. 29.] Designating a word with "TM" is an admission that the Mark is distinctive. *See Yamaha Corp. v. Ryan*, 1989 U.S. Dist. LEXIS 16565, 11 (C.D. Cal. Nov. 6, 1989) ("Defendants' own usage of the letters TM with MUSICSOFT on their midi disks is an admission that MUSICSOFT has distinctiveness as a trademark.") Accordingly, the HANGINOUT Mark therefore has inherent distinctiveness that entitles the mark to trademark protection. This factor further favors a likelihood of confusion.

viii. Evidence of actual confusion

"Evidence that use of a mark or name has already caused actual confusion as to the source of a product or service is 'persuasive proof that future confusion is likely.'" *Rearden LLC v. Rearden Commerce, Inc*., 597 F. Supp. 2d 1006, 1023 (N.D. Cal. 2009) (quoting *Sleek-craft*, 599 F.2d at 352). Thus, at an early stage of the proceedings, while a lack of such evidence does not weigh against a finding of likely confusion, even minimal evidence of confusion strongly favors a likelihood of confusion. *Sunearth, Inc. v. SunEarth Solarpower Co., Ltd.*, 2012 U.S. Dist. Lexis 13506 (N.D. Cal. Feb. 3, 2012).

Here, at this early stage, a number of instances of actual confusion have been demonstrated, including misuse of the HANGINOUT Mark. For example, consumers have used the phrase "Hanging Out" and "Hangout" when referring to the HANGINOUT platform. [Malone Decl., ¶¶ 22, 47; Exs. 11, 30.] Thus, this factor, while normally simply neutral at the preliminary injunction stage, favors a likelihood of confusion.

ix. Type of goods and the degree of care likely to be exercised by the purchaser

"Low consumer care . . . increases the likelihood of confusion." *Playboy Enterprises, Inc. v. Netscape Com-muns. Corp.*, 354 F.3d 1020, 1028 (9th Cir. 2004). The products and services at issue here are not expensive jewelry or automobiles.

Thus, it is likely that consumer's eager to efficiently engage a broad audience through the use of social media will immediately believe that HANGOUTS is synonymous with the trademark HANGINOUT (as will their audience of viewers). Also, many of these consumers are likely to use the parties' platform without doing significant investigation. Thus, likely consumer care weighs in favor of likely confusion.

x. Google's intent in selecting the mark

"This factor favors the plaintiff where the alleged infringer adopted his mark with knowledge, actual or constructive, that it was another's trademark." *Brookfield Communs.*, 174 F.3d at 1059 (citing *Official Airline Guides*, 6 F.3d at 1394 ("When an alleged infringer knowingly adopts a mark similar to another's, courts will presume an intent to deceive the public.")) In other words, "When the alleged infringer knowingly adopts a mark similar to another's, reviewing courts presume that the defendant can accomplish his purpose: that is, that the public will be deceived." *Sleekcraft*, 599 F.2d at 348, 354.

A company as large as Google, with its teams of employees and attorneys, presumptively performed a search on its own Google search page to discover existing trademark owners. Likewise, a simple iTunes search would have revealed the HANGINOUT Q&A app. Further, Google received the USPTO suspension notice on July 30, 2013, providing unequivocal notice of the HANGINOUT Mark. [Malone Decl., ¶ 43, Ex. 26.] Yet, not wanting to abandon its imminent launch, Google decided to move ahead with its September 12, 2013 launch anyway. Google simply placed its need to expand its social media platform above the superior trademark rights of Hanginout. Such calculated decision is the definition of willfulness.

Accordingly, this factor strongly favors a finding of likelihood of confusion, and also points the equities strongly in Hanginout's favor as a knowing adopter cannot complain about later being enjoined for its willful infringement.

xi. Likelihood of expansion of the product lines

"Inasmuch as a trademark owner is afforded greater protection against competing goods, a 'strong possibility' that either party may expand his business to compete with the other will weigh in favor of finding that the present use is infringing." *Sleekcraft*, 599 F.2d at 354. "When goods are closely related, any expansion is likely to result in direct competition." *Id*. Here, Google intends to directly compete with Hanginout in the social-media arena. It is not just a likelihood of expansion, but an established fact. This factor favors likely confusion.

B. Irreparable Injury, a Balancing of the Equities and the Public Interest, Also Favor a Granting of a Preliminary Injunction

Once likelihood of prevailing on its claims has been established, Hanginout need only establish it is "likely to suffer irreparable harm in the absence of preliminary relief, that the balance of equities tips in [its] favor, and that an injunction is in the public interest." *Marlyn Nutraceuticals, Inc. v. Mucos Pharma*, 571 F.3d 873, 877 (9th Cir. 2009) (quoting *Winter v. Natural Res. Def. Council, Inc.*, 555 U.S. 7, 20 (2008)).

1. Likelihood of Irreparable Injury

To obtain an injunction, Hanginout is to demonstrate the likelihood of irreparable harm is real and significant, not speculative or remote. *See Winters*, 555 U.S. at 22. The threatened loss of prospective customers, goodwill, or revenue supports a finding of irreparable harm. *See Stuhlbarg Int'l Sales Co., Inc. v. John D. Brush & Co., Inc.*, 240 F.3d 832, 841 (9th Cir. 2001). Additionally, "the Ninth Circuit has recognized that the potential loss of goodwill or the loss of the ability to control one's reputation may constitute irreparable harm for purposes of preliminary injunctive relief." *SunEarth, Inc. v. Sun Earth Solar Power Co*., 2012 U.S. Dist. LEXIS 13506 **43-44 (N.D. Cal. Feb. 3, 2012).

Here, Google's continued use of "Hangouts" will irreparably injure Plaintiff in

at least three ways: (1) exploiting HANGINOUT's goodwill; (2) Plaintiff has lost the ability to police and control its brand and pending trademark; and (3) actual confusion–not just a likelihood of confusion –is already occurring.

As previously discussed, HANGINOUT revolutionized a social-media based communication platform, primarily through its pre-recorded Q&A feature. Because Google has a broader customer base, the potential misidentification poses a serious threat to Hanginout's goodwill and reputation. It is well established in the Ninth Circuit that irreparable injury is likely where "continuing infringement would result in loss of control over [plaintiff's] reputation and loss of goodwill." *Apple Computer, Inc. v. Formula Int'l Inc.*, 725 F.2d 521, 526 (9th Cir. 1984); *see also Stuhlbarg Intern. Sales Co., Inc. v. John D. Brush and Co., Inc.*, 240 F.3d 832, 841 (9th Cir. 2001) ("Evidence of threatened loss of prospective customers or goodwill certainly supports a finding of the possibility of irreparable harm"). Google's Hangouts platform has and will continue to result in actual confusion with the HANGINOUT brand. Likely—and all the more so actual—confusion constitutes irreparable harm. *See e.g., CytoSport, Inc. v. Vital Pharmaceuticals, Inc.*, 617 F. Supp. 2d 1051, 1081 (E.D. Cal. 2009). These harms are inherently difficult to quantify. *See Dish Network LLC v. Miles Dillion*, 2012 U.S. Dist. LEXIS 13277 *11 (S.D. Cal. Feb. 3, 2012). Accordingly, Hanginout has demonstrated its irreparable harm is real and significant.

2. Balancing the Equities and the Public Interest

"In the trademark context, courts often define the public interest at stake as the right of the public not to be deceived or confused." *CytoSport*, 617 F. Supp. 2d at 1081. Moreover, "When the reach of an injunction is narrow, limited only to the parties, and has no impact on non-parties, the public interest will be at most a neutral factor in the analysis rather than one that favors granting or denying the preliminary injunction." *Stormans, Inc. v. Selecky*, 586 F.3d 1109, 1138-39 (9th Cir. 2009) (citation and internal quotation marks omitted). On the other hand, if "the impact of

an injunction reaches beyond the parties, carrying with it a potential for public consequences, the public interest will be relevant to whether the district court grants the preliminary injunction." *Id.*

Here, the impact of the injunction will directly impact the public. Specifically, Google seeks to exploit Hanginout's revolutionary platform by adopting a virtually identical mark. Consumers should be provided with truthful information about the social-media platforms they use. In other words, the public has an interest in preventing fraud and public confusion surrounding the use of unauthorized products and services, which are held out as authentic. *See Boston Telecommunications Group, Inc. v. Wood*, 588 F.3d 1201, 1207 (9th Cir. 2009). Accordingly, the public interest favors an injunction, as does the irreparable harm already established.

Finally, there will be little to no harm to Google if the preliminary injunction is granted. This will only require a name change of one of Google's services. For example, removing the HANGOUTS Q&A platform will not limit Google's ability to continue its search engine, email, and advertising efforts or even its Q&A under a different brand.

Additionally, when balancing harms and considering the public interest, it is important to note that Hanginout really has no other solution to this predicament than an injunction. Google is flooding the market, Hanginout has no realistic way to protect against the likely confusion of such a giant company using such a similar mark. Google went into this with eyes wide open, and is effectively commandeering a mark that Hanginout has poured itself into since 2008. Trademarks are property rights that the law protects. The law prevents someone from trespassing on another's land and simply taking over the land, regardless of how large of a company the trespasser may be. The same holds true with balancing the harms between a senior trademark owner and the massive company that has invaded the senior trademark holder's rights. The same also holds true with the public interest in protecting the

goodwill of the smaller senior user.

C. In the Alternative, the Balance of Hardships Strongly Tips in Hanginout's Favor

"A preliminary injunction could issue where the likelihood of success is such that serious questions going to the merits were raised and the balance of hardships tips sharply in plaintiff's favor," so long as the plaintiff demonstrates irreparable harm and shows that the injunction is in the public interest. *Alliance for the Wild Rockies v. Cottrell*, 632 F.3d at 1131 (citation and internal quotation and editing marks omitted). Here, because the balance of hardships so strongly tips in Hanginout's favor, the Court need go no further than recognize that Hanginout has established serious questions going to the merits to justify the granting of a preliminary injunction. Thus, no matter what point of the "sliding scale" the Court uses, the preliminary injunction is plainly warranted.

D. Scope of the Injunction

The injunction should be nationwide, covering Google's use of "HANGOUTS" on the internet in connection with social media. In the alternative, the Court can order Google to merely cease any new uses of the term "HANGOUTS" or order an injunction only covering California.

IV. CONCLUSION

For the foregoing reasons, Hanginout respectfully requests its motion for a preliminary injunction be granted. Google uses of the "Hangouts" mark should be enjoined, especially in Google's messaging platforms, social media, Question and Answer ("Q&A") platform, and advertising and solicitations relating to the same. Any bond requirement should be waived based on the willfulness of the infringement, or set at a minimal amount given the ease of complying with the injunction and minimal effect on Google in the interim.

Dated: January 22, 2014

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