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UNITED STATES DISTRICT COURT

SOUTHERN DISTRICT OF CALIFORNIA

HANGINOUT, INC.,

Plaintiff,

vs.

GOOGLE INC.,

Defendant.

CASE NO. 13-CV-2811 AJB NLS

MEMORANDUM OF POINTS AND AUTHORITIES IN SUPPORT OF GOOGLE'S MOTION TO DISMISS HANGINOUT'S FIRST AMENDED COMPLAINT

ORAL ARGUMENT REQUESTED

Date: April 25, 2014
Time: 2:00 p.m.
Courtroom 3B
Judge: Hon. Anthony J. Battaglia

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INTRODUCTION AND BACKGROUND

The First Amended Complaint ("the Complaint") filed by plaintiff Hanginout, Inc. ("Hanginout") against defendant Google Inc. ("Google") on January 28, 2014 (the "Complaint") still fails to state any claims for which relief can be granted. Hanginout's claims for trademark infringement and violations of federal and state law unfair competition fail because Hanginout does not plead factual allegations sufficient to support that it is the senior user with sufficient market penetration to claim priority over Google with respect to its unregistered HANGINOUT marks. Because Hanginout fails to state sufficient facts to support that it is the senior user of a valid trademark, the Complaint must be dismissed in its entirety.

According to Hanginout's Complaint (Dkt. No. 14), it developed an interactive video-response platform under the brand HANGINOUT. (Compl. ¶ 12.) Hanginout filed U.S. trademark applications for the HANGINOUT word mark and the HANGINOUT design mark ("the HANGINOUT marks") on July 12, 2012. (*Id*. at ¶¶ 21-22.) The applications are still pending. (*Id*. at ¶ 23.) The applications claim a first use date of June 6, 2012 for both marks. (*Id*. at Attachments A, B.) But after Google moved to dismiss Hanginout's original complaint and pointed out that Google first used HANGOUTS in June of 2011, a year earlier, Hanginout changed its story and now alleges that it "commercialized" its products earlier. (Compl. ¶ 9.) But the Complaint does not allege any facts showing the nature and extent of Hanginout's marketing of its products bearing the HANGINOUT marks, the volume of actual paying customers, or where the customers are located for any time, much less before Google's first public announcement of use, which Hanginout admits was on June 28, 2011 (Compl. ¶ 25). The most concrete allegation Hanginout makes concerning market penetration is that "[b]y May of 2011, over 200 customers had actually registered for and used Version 1.0 of the HANGINOUT Q&A platform. (Compl. ¶ 20.) This allegation is insufficient to state a claim that Hanginout had priority in its marks prior to

Google's first use in June 2011, and Hanginout's complaint should be dismissed. *See*, *e.g.*, *Optimal Pets, Inc. v. Nutri-Vet, LLC*, 877 F. Supp. 2d 953, 962-964 (C.D. Cal. 2012).

LEGAL STANDARD

A complaint may be dismissed under Rule 12(b)(6) of the Federal Rules of Civil Procedure "based on the lack of a cognizable legal theory or the absence of sufficient facts alleged under a cognizable legal theory." *Balistreri v. Pacifica Police Dep't*, 901 F.2d 696, 699 (9th Cir. 1990). "Factual allegations must be enough to raise a right to relief above the speculative level." *Bell Atlantic Corp. v. Twombly*, 550 U.S. 544, 555 (2007) (internal quotations and citation omitted). Mere "labels and conclusions, and a formulaic recitation of the elements of a cause of action will not do." *Id.* Rather, "[t]o survive a motion to dismiss, a complaint must contain sufficient factual matter, accepted as true, to 'state a claim to relief that is plausible on its face.'" *Ashcroft v. Iqbal*, 556 U.S. 662, 678 (2009) (emphasis added) (quoting *Twombly*, 550 U.S. at 556, 570). "A claim has facial plausibility when the plaintiff pleads ***factual content*** that allows the court to draw the reasonable inference that the defendant is liable for the misconduct alleged." *Id.*

ARGUMENT

I. HANGINOUT'S FEDERAL TRADEMARK INFRINGEMENT AND UNFAIR COMPETITION CLAIMS (COUNTS I & II) MUST BE DISMISSED

To state a trademark-based claim under 15 U.S.C. § 1125(a), a plaintiff must allege that it owns a valid, protectable trademark, and that the defendant is using a mark confusingly similar to the plaintiff's mark in commerce. *See*, *e.g.*, *Herb Reed Enters, LLC v. Florida Entm't Mgmt., Inc.*, 736 F. 3d 1239, 1247 (9th Cir. 2013). Because Hanginout does not have registered trademarks, it must demonstrate that it had acquired common law trademark rights before June 2011 in the geographical area where Google used its HANGOUTS mark and that it continued to use the mark in that area. *E.g.*, *Optimal Pets*, 877 F. Supp. 2d at 958. "To establish

enforceable common law trademark rights in a geographical area, a plaintiff must prove that, in that area, (1) it is the senior user of the mark, and (2) it has established legally sufficient market penetration." *Id*. at 959. Hanginout fails to do this, as it does not sufficiently allege *facts* that, if true, would support a finding that it is the senior user of the HANGINOUT mark with adequate market penetration to have gained common law trademark rights before Google's first use of HANGOUTS.

A. Hanginout Failed To Plausibly Allege That It Is The Senior User Of The Marks.

Seniority of use can only be established by commercial usage; "it is not enough to have invented the mark first or even to have registered it first." *Glow Indus., Inc. v. Lopez*, 252 F. Supp. 2d 962, 980-81 (C.D. Cal. 2002). Not just any use is sufficient; courts look to the totality of a party's actions to determine whether the use is sufficient to establish priority. *E.g.*, *Future Domain Corp. v. Trantor Sys. Ltd.*, Civ. No. C 93 0812, 1993 WL 270522, at *6 (N.D. Cal. May 3, 1993).

As a threshold matter, Attachments A and B to the Complaint, which Hanginout represents are the trademark applications for the HANGINOUT marks, represent under oath that the date of first use of the marks is June 6, 2012. (Compl. ¶ 22, Attachments A, B.)[1] However, after Google moved to dismiss Hanginout's original complaint and pointed out that this date was not early enough to establish

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[1] It is unclear whether the date of first use is even as early as June 6, 2012. The specimens that Hanginout submitted to the USPTO contain a copyright date of *2013*—and feature an image of the iPhone 5S, which was not released until September 2013. (Dkt. 9-2, January 10, 2014 Declaration of Margret M. Caruso ("Caruso Decl.") ¶ 2; Dkt. 9-3, Ex. 1 to Caruso Decl., http://www.apple.com/pr/library/2013/09/16iPhone-5s-iPhone-5c-Arrive-on-Friday-September-20.html.) Thus, nothing on the face of the specimens, which are incorporated in the Complaint by reference as part of Hanginout's trademark application, reflects that the HANGINOUT mark was used in commerce for the services identified as early as July 2012. This calls into question not only the first use date, but also the veracity of Hanginout's representations to the USPTO.

priority (Dkt. 9 at n.1), Hanginout amended its Complaint, and appears now to claim a first use date of at least May 2011—more than a year earlier than the date it represented under oath to the USPTO was its first use date. (*Compare id. with* Compl. ¶ 20, which alleges that over 200 customers had actually registered for and used the HANGINOUT platform by May 2011). Because Hanginout submitted a sworn statement to the USPTO regarding its date of first use of the marks anywhere and also the first date of the use of the marks in commerce, it must prove an earlier date by clear and convincing evidence. *Wells Fargo & Co. v. Stagecoach Props., Inc.*, 685 F.2d 302, 304 n.1 (9th Cir. 1982). The Complaint offers no explanation for the change in date.

Even assuming Hanginout would be able to prove its allegations relating to pre-June 2011 use by clear and convincing evidence, the Complaint fails to allege any facts from which it would be plausible to conclude that Hanginout's use in commerce was sufficient to give it seniority over Google's nationwide use of HANGOUTS. *Cf. Iqbal*, 556 U.S. at 678 (requiring complaint to be "'plausible on its face'") (quoting *Twombly*, 550 U.S. at 570). For example, *Future Domain* held the actions of a company that advertised its product at the computer industry's largest U.S. trade show, where up to 143,000 people may have seen the mark, distributed 3,500 information fliers and 100 corporate brochures containing the mark, obtained 2,400 completed inquiry forms, and received and fulfilled over 200 requests for preliminary versions of the product "did not create a sufficient association in the public mind between the mark and [the company]" to establish seniority of use. 1993 WL 270522 at **1- 7. *See also Garden of Life, Inc. v. Letzer*, 318 F. Supp. 2d 946, 957-960 (C.D. Cal. 2004). Hanginout alleges far less in its Complaint.

The Complaint's bare allegation that "Hanginout adopted the HANGINOUT logo and word mark in connection with its social media services as early as November 2008" (Compl. ¶ 11) provides no basis for Hanginout to claim a use of

commerce at that time because "[a]n intent to eventually commercially exploit an idea is not sufficient to confer trademark rights or meet the 'in commerce' requirement." *Schussler v. Webster,* Civ. No. 07cv2016 IEG, 2008 WL 4350256, at * 4 (S.D. Cal. Sept. 22, 2008), *amended and vacated in part on other grounds on reconsideration*. Thus, "[t]he fact that a party first conceived the mark and discussed it with others in or outside of the organization in anticipation of and in preparation for a subsequent use in trade does not constitute an 'open' use and therefore does not establish priority as of the date of the conception or of these discussions." *Future Domain*, 1993 WL 270522 at *6 (citation omitted).

The Complaint's additional allegations about filming a promotional video and uploading a Facebook page in March 2010 (Compl. ¶¶ 16-17) give no indication that either of these activities even resulted in public awareness of the mark, much less that "an appropriate segment of the public mind" came to identify it with Hanginout's goods or services. *Seltzer v. Green Day, Inc.*, 725 F.3d 1170, 1180 (9th Cir. 2013). As in *Future Domain*, there is no allegation of how many people actually saw or noticed these promotional efforts. 1993 WL 270522 at *7. Hanginout's allegations, which do not even rise to the level that courts have deemed insufficient, fail to plausibly allege seniority of use.

B. Hanginout Failed To Plausibly Allege That It Had Sufficient Market Penetration To Establish Any Common Law Trademark Rights.

"[I]n the absence of federal registration, both a senior and junior user would have the right to expand into unoccupied territory and establish customer recognition in that territory." *Optimal Pets*, 877 F. Supp. 2d at 958-59. Because Hanginout does not have registered trademarks, it must demonstrate that it had acquired common law trademark rights through legally sufficient market penetration in a geographical area before June 2011. *E.g.*, *Optimal Pets*, 877 F. Supp. 2d at 958. Market penetration is determined by examining information such as 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." *Glow*, 252 F. Supp. 2d at 983.

The market penetration standard is not easily satisfied. For example, a company that sold a total of $35,000 in pet supplies to pet professionals in 16 states, maintained a website, and spent more than $100,000 in advertising, including national magazine advertising, failed to establish sufficient market penetration nationwide. *Optimal Pets,* 877 F. Supp. 2d at 962-964 (granting defendant judgment as a matter of law following jury trial). Similarly, "GLOW" beauty products had not achieved sufficient market penetration to establish common law rights in any specific geographic area even though they were mentioned in *InStyle* and *Los Angeles* magazines and had been sold to customers in all fifty states, including at the company's Los Angeles retail store, at Bergdorf Goodman in New York City, at Nordstrom stores and Ritz Carlton Hotels, at retail stores in eleven states, on a national beauty website, and through the company's own website. *Glow*, 252 F. Supp. 2d at 983-986. And a company that maintained business licenses in two states, one where there had never been any offices and another where the office had since closed, with no evidence of recent actual sales in those states, did not establish common law trademark rights in those two states. *Credit One Corp. v. Credit One Financial, Inc.,* 661 F. Supp. 2d 1134, 1138 (C.D. Cal. 2009).

The Complaint's factual allegations fail to rise even to the level of activities found *insufficient* in these cases to establish seniority and market penetration. The only specific factual allegation in the Complaint relating to Hanginout's alleged use of the HANGINOUT mark in connection with "consumers" before June 2011 is that an unspecified number of "consumers began registering HANGINOUT profiles and endorsing the product on social-media platforms such as Twitter and Facebook," that it "aggressively market[ed] its platforms through various social-media outlets," with no further identification of the social media outlets or the success of its efforts, and that "over 200 customers had registered for and used the HANGINOUT Q&A

platform by May 2011," with no identification of the volume of "customers" from geographic areas or whether they were independent consumers, as opposed to the company's employees, officers, or investors, or their personal friends. (Compl. ¶¶ 18-20.) Hanginout does not even allege that the HANGINOUT Q&A platform was branded under the HANGINOUT marks at that time.

Hanginouts' factual allegations are insufficient to establish a plausible claim for common law trademark rights in any single geographic location, let alone nationwide. Hanginout pleads no specific facts regarding its volume of sales and growth trends, the number of persons buying the trademarked product in relation to the number of potential purchasers, the amount of its advertising prior to June 2011, or where the 200 alleged users were located. *See Glow,* 252 F. Supp. 2d at 984-85 (denying preliminary injunction where plaintiff provided "little information that would assist the court in quantifying market penetration, sales levels, growth trends, or the number of people who purchased the company's products in relation to the number of potential customers"). Even 200 users in one location, however, would be *de minimus* use insufficient to show market penetration in that geographic area. *See*, *e.g.*, *Optimal Pets*, 877 F. Supp. 2d at 962.

As Hanginout has not successfully alleged market penetration in any single geographic area, it also cannot allege sufficient market penetration nationwide. *E.g., Optimal Pets*, 877 F. Supp. 2d at 962-964; *Glow*, 252 F. Supp. 2d at 983-986. Nor can Hanginout plausibly argue that the entire country was within the natural zone of expansion, which is "narrowly construed." *Credit One Corp. v. Credit One Fin., Inc.,* 661 F. Supp. 2d 1134, 1138 (C.D. Cal. 2009). "Because [the plaintiff] has not adequately demonstrated the extent of its current market penetration, a zone of expansion that encompasses the entire nation is about as large a 'leap' as it is possible to imagine." *Glow*, 252 F. Supp. 2d at 986. Indeed, were the law otherwise, anyone with 200 Facebook "friends" or Twitter "followers" could instantaneously acquire nationwide priority for a mark.

Furthermore, Hanginout alleges no use it made of its mark after May 2011 and fails to allege any facts to show that it has continuously used its alleged mark in any geographic area during the relevant timeframe. "To maintain a common law trademark right there must be a continuing use." *Optimal Pets*, 877 F. Supp. 2d at 959. Hanginout therefore cannot establish common law trademark rights to the HANGINOUT mark.

Accordingly, the Complaint's factual content fails to "allow[] the court to draw the reasonable inference that the defendant is liable for the misconduct alleged." *Iqbal*, 556 U.S. at 678 (citing *Twombly*, 550 U.S. at 556). Because Hanginout has failed to sufficiently plead factual allegations to support its claim of senior use and market penetration, its unsupported conclusions that "HANGINOUT marks have achieved market penetration throughout the United States and, at a minimum, in California" (Compl. ¶ 40) and "[i]ts market penetration was prior to Google's first use of the infringing HANGOUTS mark" (Compl. ¶ 41) must be disregarded. *Twombly*, 550 U.S. at 555 ("[L]abels and conclusions, and a formulaic recitation of the elements of a cause of action will not do."). Therefore, Hanginout's federal trademark infringement and unfair competition claims must be dismissed.

II. HANGINOUT'S STATUTORY AND COMMON LAW UNFAIR COMPETITION CLAIMS (COUNT III) MUST BE DISMISSED

Actions pursuant to California Business & Professions Code § 17200 and California common law claims of unfair competition are "substantially congruent" to claims made under the Lanham Act and rise and fall with those claims. *E.g.*, *Cleary v. News Corp.*, 30 F.3d 1255, 1262-63 (9th Cir. 1994). Hanginout's conclusory allegations in support of its § 17200 and state common law unfair competition claims provide no further factual information than what it pleads for its federal Lanham Act claims. Accordingly, its statutory and common law unfair competition claims fail for the same reasons as its federal Lanham Act claims.

CONCLUSION

For the foregoing reasons, Hanginout's Complaint should be dismissed in its entirety.

DATED: February 28, 2014

Respectfully submitted,

/s/ Margret M. Caruso

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CERTIFICATE OF SERVICE

I hereby certify that on February 28, 2014, I will cause to be filed the foregoing **MEMORANDUM OF POINTS AND AUTHORITIES IN SUPPORT OF GOOGLE'S MOTION TO DISMISS HANGINOUT'S FIRST AMENDED COMPLAINT** with the Clerk of the Court using the CM/ECF system, which will then send a notification of such filing to counsel for Plaintiff Hanginout, Inc.

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