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IN THE UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF ARIZONA

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Designer Skin, LLC; et al,

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No. CV 05-3699-PHX-JAT

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Plaintiffs,

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**ORDER**

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vs.

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S&L Vitamins, Inc.; et al,

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Defendants.

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Pending before this Court is Defendants' Motion to Dismiss (Doc. #22), to which Plaintiffs filed a Response (Doc. #27). Defendants failed to file a reply and the time to reply has expired. The Motion to Dismiss is Defendants' second motion to dismiss before this Court. Defendants' first motion to dismiss referenced the fact that similar litigation between the parties was on going in New York. Defendants' second motion to dismiss does not reference the New York litigation and, instead, seeks dismissal based only on Federal Rule of Civil Procedure 12(b)(6).

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A motion to dismiss for failure to state a claim is disfavored and rarely granted. *Gilligan v. Jamco Dev. Corp.*, 108 F.3d 246, 248-49 (9<sup>th</sup> Cir. 1997). Further, the Court must construe the facts alleged in the complaint in the light most favorable to the Plaintiff and the Court must accept all well-pleaded factual allegations as true. *See Shwarz v. United States*, 234 F.3d 428, 435 (9<sup>th</sup> Cir. 2000). Nonetheless, Plaintiff must still meet the pleading requirements of Fed. R. Civ. Pro. 8. Under Federal Rule of Civil Procedure 8, the complaint

1 must contain, "a short and plain statement of the claim showing that the pleader is entitled  
2 to relief." Thus, if the complaint fails to state a theory under which Plaintiffs may recover,  
3 dismissal under 12(b)(6) is appropriate.

4 In this case, Defendants have web sites and sell merchandise on the internet. Plaintiffs  
5 make tanning lotion and other skin care products. Defendants sell Plaintiffs' products on  
6 Defendants' web sites. Plaintiffs claim that such sale violates Plaintiffs' trademark and  
7 copyright and interferes with Plaintiffs' contracts with its authorized distributors.<sup>1</sup>

8 Defendant moves to dismiss claiming that the complaint fails to state a claim because:  
9 1) Plaintiffs' trademark and unfair competition claims fail under the first sale doctrine, 2)  
10 Plaintiffs' federal trademark infringement, unfair competition, trademark dilution, state  
11 trademark infringement, and common law trademark infringement claims fail because  
12 Defendants' use is a nominative fair use of the marks; and 3) Plaintiffs' tortious interference  
13 with contract allegations are insufficient to state a claim. Plaintiffs respond and argue that  
14 the motion to dismiss should be denied in its entirety. Plaintiffs argue that the motion should  
15 be denied in part because the nominative fair use doctrine and the first sale doctrine are  
16 affirmative defenses, not grounds for dismissal under Rule 12(b)(6). Defendants did not file  
17 a reply.

18 First, the Court notes that while the motion to dismiss purports to seek dismissal of  
19 all claims, it in fact does not seek dismissal of the copyright infringement claims. Therefore,  
20 even if the motion to dismiss is granted, the case will not be dismissed in its entirety.

21 Second, turning to the merits of the motion to dismiss, the Court will consider  
22 Defendants' request to dismiss based on the nominative fair use doctrine. Nominative fair  
23 use is when a defendant uses a plaintiff's mark to describe the plaintiff's product because  
24 there are no other words to describe the product. *See New Kids on the Block v. New America*

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26 <sup>1</sup> Specifically, Plaintiffs complaint lists the following counts: common law trademark  
27 infringement, state statutory trademark infringement, federal trademark infringement,  
28 trademark dilution, copyright infringement, interference with contractual relations, and unfair  
competition. Doc. #1.

1 *Pub., Inc.*, 971 F.3d 302, 308 (9<sup>th</sup> Cir. 1992) (holding that a newspaper could use the name  
2 "New Kids on the Block" to describe the group New Kids on the Block and to conduct a  
3 survey about the group under the nominative fair use doctrine). Plaintiffs in this case are  
4 correct that nominative fair use is an affirmative defense on which Defendants will bear the  
5 burden of proof. *Id.* To prove nominative fair use, Defendants must show:

6 1. the product or service in question must be one not readily identifiable without use  
7 of the trademark;

8 2. only so much of the mark or marks may be used as is reasonably necessary to  
9 identify the product or service; and

10 3. the user must do nothing that would, in conjunction with the use of the mark,  
11 suggest sponsorship or endorsement by the trademark holder.

12 *Id.*

13 In this case, Defendants move to dismiss as indicated above. Motions to dismiss  
14 based on Rule 12(B)(6) must be limited to the pleadings and all factual allegations of  
15 Plaintiffs must be construed in the light most favorable to Plaintiffs. Fed. R. Civ. Pro. 12(b);  
16 *Shwarz*, 234 F.3d 435. In this context, the Court, generally, agrees with Plaintiffs that it  
17 would be highly unusual for a Court to "dismiss" a complaint on 12(b)(6) grounds based on  
18 Defendants having proven an affirmative defense.<sup>2</sup>

19 As to the merits, after identifying the three prongs of nominative fair use, Defendants  
20 fail to apply them to this case, or argue how their use of the marks in this case is a nominative  
21 fair use. Motion at 8-10. Therefore, the motion to dismiss the trademark infringement and  
22 unfair competition claims on this basis will be denied.

23 Next, Defendants argue that there can be no trademark dilution claim because  
24 Defendants' use of the mark is a nominative fair use, and by definition nominative fair use

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26 <sup>2</sup> Notably, Defendants rely on *Playboy Enterprises, Inc. v. Welles*, 279 F.3d 796 (9<sup>th</sup> Cir.  
27 2002) as an example of the Court of Appeals affirming, "that the complaint...should be  
28 dismissed" based on an affirmative defense. Motion at 9. In fact, in that case, the Court of  
Appeals affirmed a grant of summary judgment. *Playboy*, 279 F.3d at 800.

1 does not dilute the mark. Motion at 10. This argument presumes the conclusion that  
2 Defendants' use of the mark is in fact a nominative fair use. Because the Court has not  
3 reached this threshold conclusion, the Court will not dismiss on this basis.

4 Defendants then go on to argue that it is permissible to use a branded product's name  
5 in selling the product in an aftermarket and that the trademark law does not reach the  
6 aftermarket. Motion at 11, *citing Ty Inc. v. Perryman*, 306 F.3d 509 (7<sup>th</sup> Cir. 2002), *cert.*  
7 *denied*, 538 U.S. 971 (2003). This argument does not address trademark dilution  
8 specifically, but instead argues that none of trademark law can reach a second sale of a  
9 product. Basically, this is Defendants' first sale theory for dismissing Plaintiffs' claims.

10 Under the first sale doctrine, "the right of a producer to control distribution of its  
11 trademarked product does not extend beyond the first sale of the product. Resale by the first  
12 purchaser of the original article under the producer's trademark is neither trademark  
13 infringement nor unfair competition." *Sebastian Int'l Inc., v. Longs Drug Stores Corp.*, 53  
14 F.3d 1073, 1074 (9<sup>th</sup> Cir.), *cert. denied*, 516 U.S. 914 (1995). In this case, Defendants claim  
15 that they properly purchase Plaintiffs' products in the market and then resell these products  
16 on the internet, using Plaintiffs' trademarked names as the only way to describe Plaintiffs'  
17 products. Thus, Defendants claim that Plaintiffs' trademark claims and unfair competition  
18 claims should be dismissed. Plaintiffs respond and argue that Defendants have, "copied  
19 works, labels, drawings, images, expressions, texts, products, descriptions, photographs,  
20 marketing materials and intellectual properties belonging to [Plaintiffs...] and have deceived,  
21 misled and confused customers with respect to the same." Response at 4.

22 Courts have recognized a distinction between reselling a trademarked product, and  
23 leading the public to believe the "reseller" is actually affiliated with the original  
24 manufacturer. For example, in *Sebastian*, the Ninth Circuit Court of Appeals held that  
25 Sebastian, who wanted its products sold only in salons, could not prevent Longs Drug Stores  
26 from selling the products when Longs only stocked and resold the genuine trademarked  
27 products. Similarly, in *Matrix Essentials v. Emporium Drug Mart*, 988 F.2d 587 (5<sup>th</sup> Cir.  
28 1993), the Court held that even though Matrix wanted its trademarked products to be sold

1 only in professional salons, "[a]bsent more culpable conduct on the part of the seller, we are  
2 unwilling to find misrepresentation in the mere act of putting a manufacturer's product on  
3 one's shelf and offering it for sale." *Id.* at 593.

4 Conversely, courts have found Lanham Act violations when the reseller used the  
5 trademark in such a way that it would likely cause the public to be confused into believing  
6 that the reseller was part of the producer's authorized sales force or a franchisee of the  
7 producer. *See Sebastian*, 53 F.3d at 1076 (citing *Bandag, Inc. v. Al Bolser's Tire Store*, 750  
8 F.2d 903 (Fed. Cir. 1984); *Stormor, a Div. of Fuqua Indus. v. Johnson*, 587 F.Supp. 275  
9 (W.D. Mich. 1984)). Specifically,

10 In *Bandag*, the reseller used the producer's trademark in a telephone directory  
11 advertisement in such a way as to suggest the reseller was one of the  
12 producer's franchisees, 750 F.2d at 911, 916; in *Stormor* the reseller displayed  
13 the producer's trademark in the reseller's booth at a trade show and in a trade  
journal advertisement, and stamped the reseller's name on the producer's  
promotional literature and used it to advertise the resale of the producer's  
products by the reseller, 587 F.Supp. at 279.

14 *Sebastian*, 53 F.3d at 1076.

15 As discussed above, in the context of a motion to dismiss for failure to state a claim,  
16 the Court must construe all factual allegations in favor of Plaintiffs; and, the Court cannot  
17 grant the motion "unless it appears beyond doubt that the plaintiff can prove no set of facts  
18 in support of his claims which would entitle him to relief." *Barnett v. Centoni*, 31 F.3d 813,  
19 816 (9th Cir. 1994). The Court notes that the complaint and the response to the motion do  
20 not allege many "facts" to support Plaintiffs' claim that Defendants are causing confusion  
21 with Plaintiffs' trademark.<sup>3</sup> However, Plaintiffs do claim that Defendants:

- 22 • use Plaintiffs' trademark on Defendants' web sites,
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25 <sup>3</sup> For example, Plaintiffs' statement that "Defendants own and operate one or more internet  
26 web site(s) that engage in the unlawful infringement of Designer Skin's intellectual property  
27 rights, that unfairly compete in the marketplace with Designer Skin, and that intentionally  
28 and tortiously interfere with Designer Skin's agreements with one or more of its distributors"  
is a legal conclusion, not a factual allegation. Motion at 3, paragraph 2.

- 1           • copied Plaintiffs' works, labels, drawings, images, expressions, texts, products,  
2           descriptions, photographs, and marketing materials, and  
3           • use Plaintiffs' trademark as metatags to cause internet searches to go to  
4           Defendants' web sites rather than authorized distributor's web sites.

5 Plaintiffs then go on to conclude that these uses cause consumers to be misled about the  
6 source and the origin of the products.

7           This case presents a close question regarding whether internet resale of the type  
8 described is more similar to simply reselling a product like *Sebastian* or whether there was  
9 so much use of the trademark and related materials that a consumer would believe he or she  
10 was dealing with either the manufacturer directly or a franchisee like *Bandag*. However,  
11 construing the facts in the light most favorable to Plaintiffs, the Court cannot say Plaintiffs  
12 can prove no set of facts that would entitle them to relief. Therefore, Defendants' motion to  
13 dismiss based on the first sale doctrine will be denied.

14           Finally, Defendants seek dismissal of Plaintiffs' tortious interference with contractual  
15 relations claim on the theory that the Complaint fails to allege sufficient facts to state a claim  
16 on this basis. Plaintiffs oppose the motion.

17           The parties agree to at least four elements of a tortious interference claim:

- 18           1. The existence of a valid contractual relationship (or business expectancy);  
19           2. The interferer's knowledge of the relationship (or expectancy);  
20           3. The interferer's intentional interference inducing or causing breach (or  
21 termination of the relationship or expectancy); and  
22           4. Resultant damage to the party whose relationship or expectancy has been  
23 disrupted.

24 Motion at 13 (*citing Miller v. Hehlen*, 104 P.3d 193, 202 (2005)); Response at 12 (*citing*  
25 *Safeway Insurance Co., Inc. v. Guerrero*, 83 P.3d 560 [¶ 14] (Ariz. App. 2004) *opinion*  
26 *vacated by Safeway Ins. Co. v. Guerrero*, 106 P.3d 1020, 1025 ¶ 14 (Ariz. 2005) (recognizing  
27 the same five elements for the tort of intentional interference with contractual relations)).

28 Plaintiffs suggest an additional element:

1           5. The interferer's improper actions.  
2 Response at 12 (citing *Safeway Insurance Co., Inc. v. Guerrero*, 83 P.3d 560 (Ariz. App.  
3 2004) *opinion vacated by Safeway Ins. Co. v. Guerrero*, 106 P.3d 1020, 1025 ¶ 14 (Ariz.  
4 2005) (recognizing the same five elements for the tort of intentional interference with  
5 contractual relations)). Notably, although not acknowledged by Defendants, the case cited  
6 by Defendants also contains this element. *Miller*, 104 P.3d at 202 ¶ 32 ("The interference  
7 must be 'improper' before liability will attach.")

8           Having basically agreed to the legal framework, Plaintiffs then argue that they have  
9 contracts with their distributors that restrict the distributors ability to sell to internet retailers,  
10 that Defendants in this case are aware of these restrictions, that Defendants have  
11 misrepresented themselves to obtain Plaintiffs' products from these distributors contrary to  
12 the contracts, and that Plaintiffs suffered damages. In their Motion, Defendants argue that  
13 Plaintiffs do not make allegations that would show entitlement to relief under each prong of  
14 a tortious interference claim.<sup>4</sup> However, in their Response, Plaintiffs make an allegation with  
15 respect to each prong of the tort of intentional interference with contractual relations. And,  
16 Defendants declined to file a reply. Thus, construing the facts in the light most favorable to  
17 Plaintiffs, at this stage of the case, the Court cannot conclude that Plaintiffs can prove no set  
18 of facts that would entitle them to relief. Therefore, the motion to dismiss this claim will also  
19 be denied.

20           Defendants further seek dismissal of Plaintiffs' request for injunctive relief. The  
21 request for injunctive relief is not a cause of action. Therefore, it cannot independently "state  
22 a claim" nor be dismissed under Rule 12(b)(6) for failure to state a claim. Accordingly, the  
23 Court will not dismiss this theory of relief. To the extent Plaintiffs seek a permanent  
24 injunction, that request will be addressed following trial (assuming a Plaintiffs' victory  
25 following trial). If Plaintiffs seek a preliminary injunction to be in force during the duration

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27 <sup>4</sup> For example, Defendants argue, "...nothing in plaintiffs' complaint demonstrates that  
28 plaintiffs have a basis for claiming that [Defendants] had done business with any distributors;  
or that [Defendants] knew of plaintiffs' specific contracts... ." Motion at 14.

1 of this case, Plaintiffs may file a motion for preliminary injunction consistent with Federal  
2 Rule of Civil Procedure 65.

3 Based on the foregoing,

4 **IT IS ORDERED** that Defendants' Motion to Dismiss (Doc. #22) is denied in its  
5 entirety.

6 **IT IS FURTHER ORDERED** that Defendants shall answer within 10 days of this  
7 Order.

8 **IT IS FURTHER ORDERED** that the order setting rule 16 scheduling conference  
9 will follow.

10 DATED this 19<sup>th</sup> day of March, 2007.

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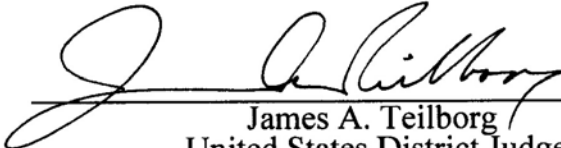
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James A. Teilborg  
United States District Judge