

UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK

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 SM KIDS, LLC, :  
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 Plaintiffs, :  
 :  
 vs. :  
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 GOOGLE LLC, ALPHABET INC., XXVI :  
 HOLDINGS INC., and JOHN AND/OR JANE :  
 DOES 1-100, inclusive, :  
 :  
 Defendants. :  
 :  
 ----- X

18-CV-2637 (LGS)

**DEFENDANTS’ MEMORANDUM OF LAW IN SUPPORT OF THEIR  
MOTION TO DISMISS PURSUANT TO RULES 12(b)(1) AND 12(b)(6)**

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### **Preliminary Statement**

Plaintiff SM Kids, LLC (“SM Kids”) seeks to enforce rights in a settlement agreement (the “Settlement Agreement”) executed by Stelor Productions, LLC (“Stelor”) and Google Inc. in 2008. The purpose of that Settlement Agreement was to permit Stelor to continue using the GOOGLES mark in connection with its extremely limited business activities, as they existed in 2008, and only to the extent that Stelor continued using the mark for that purpose. SM Kids, however, is not a party to the contract, and its claim of ownership over the GOOGLES mark is based on a series of invalid assignments-in-gross. It therefore cannot enforce the Agreement.

In 2009, Stelor filed for bankruptcy. When it went bankrupt, Stelor had \$12,220.48 in assets and nearly \$3 million in secured debts to a real estate developer named Stephen Garchik. Declaration of Kevin Mead (“Mead Dec.”) Ex. A. While Stelor appeared to maintain a website at googles.com, it did not come close to operating a “multimedia platform for children” that “develop[ed] music, books, animated series, and other media,” as now alleged by SM Kids. Complaint ¶ 15. To the contrary, in a sworn affidavit in 2009, Garchik described the business operations as “defunct and/or non-sustainable.” Mead Dec. Ex. B at 2.

Ultimately, Garchik convinced the bankruptcy court to authorize him to foreclose on all of Stelor’s assets in June 2011. But Garchik only took steps to acquire the googles.com domain and a series of trademarks, including the GOOGLES mark. In or around January 2013, Garchik purportedly assigned the GOOGLES mark to SJM Partners, his real estate development company. Shortly thereafter, he deactivated the googles.com website, and the website has been inactive ever since. Setting aside whether the googles.com website could ever have been described as a “multimedia platform for children,” it certainly has not been since Garchik

acquired the GOOGLES mark, and there is no evidence or allegation that Garchik or SJM Partners ever used the mark to provide goods or services.

Three weeks before filing this lawsuit, SJM Partners assigned the GOOGLES mark again—this time to SM Kids, a Delaware LLC formed on February 2, 2018, whose only two members are Garchik and his wife—and there is no evidence that SM Kids is using the mark to provide goods or services. SM Kids now makes the conclusory allegation that it is the “successor-in-interest” to Stelor and seeks to enforce rights in Stelor’s 2008 Agreement with Google.

Defendants move to dismiss the Complaint pursuant to Rule 12(b)(1) for lack of standing. The Plaintiff’s conclusory allegation is contradicted by substantial evidence that the Court can consider on a Rule 12(b)(1) motion. The multiple assignments of the GOOGLES mark—(a) from Stelor to Garchik, (b) from Garchik to SJM Partners, and (c) from SJM Partners to SM Kids—are all invalid assignments-in-gross that did not transfer rights in the GOOGLES mark. In the absence of rights in the mark, SM Kids lacks standing to enforce the Settlement Agreement.

Defendants also move to dismiss the Complaint pursuant to Rule 12(b)(6) for failure to state a claim. First, the Settlement Agreement terminates when either party abandons its use of its respective mark, nothing pled in the Complaint supports the conclusion that Garchik, SJM Partners, or SM Kids has ever used the mark in commerce, and the evidence of the googles.com website confirms that none of them ever used the mark in commerce. Second, the Complaint fails to plead that Defendants breached the Settlement Agreement because nothing in that Agreement prevents Google from selling, publishing, and/or distributing third party content for

children. Third, the Complaint fails to describe how any of the alleged conduct is likely to create consumer confusion with Stelor's business, as the Agreement requires.

### **Statement of Facts**

The following facts are based on the allegations set forth in the Plaintiff's Complaint, except where indicated.

Plaintiff SM Kids is a Delaware limited liability company that purports to be the successor-in-interest to Stelor. Until 2011, Stelor was the alleged owner of the rights to GOOGLES, which included "ownership of certain trademark registrations for Googles and design and the googles.com domain name and website." Complaint ¶ 1. The Complaint alleges that Googles is a "multimedia platform for children that develops music, books, animated series, and other media such as live action short form and reality-based content with the goal of providing children with guidance and support through the use of fun, safe, and educational messages." *Id.* ¶ 15.

On December 16, 2008, Stelor and Google entered into the Settlement Agreement. It recites that Stelor is "developing on the googles.com website a dedicated 'child safe' website featuring the GOOGLES trademark, specific cartoon characters, a story line and related products and services such as product tie-ins, music, videos and toys." Mead Dec. Ex. C at 1.

For the purpose of this motion, the relevant part of the Settlement Agreement is Section 7, which provides that Google:

will not intentionally make material modifications to its current offering of products or services in a manner that is likely to create confusion in connection with Stelor's present business. Google will not, for example, create, develop and publish fictional children's books, fictional children's videos, or other fictional children's related content that have a title of "GOOGLE" or a "GOOGLE-" formative title or mark.

*Id.* at 3-4.

This prohibition on Google’s conduct in the future was subject to a broad safe harbor set forth in the next sentence:

Subject to and without in any way limiting this paragraph, the parties agree that nothing in this Agreement precludes Google from, among other things: (1) offering any of its core products and services, such as providing search services, including searches for third-party products, services, or content directed at children or children’s products or services . . . or (4) selling, publishing, and/or distributing content by third parties (e.g., books available through Google’s Book Search service and related services).

*Id.* at 4 (emphasis added).

Thus, while Google could not “create, develop, and publish . . . children’s related content that have a title of ‘GOOGLE’ or a ‘GOOGLE-’ formative title or mark,” Google was permitted to sell, publish, and distribute content by third parties, including, by implication, content directed at children.

On February 23, 2018, SM Kids, as alleged successor-in-interest to Stelor, filed a complaint in New York Supreme Court alleging that Google had breached Section 7 of the Settlement Agreement by developing Google Play and YouTube Kids. SM Kids further alleges that based on this breach of Section 7, Google has “severely damaged Stelor’s business in that investors and financiers are unwilling to provide capital to Stelor to promote its children’s-related content business under the name Googles.” Complaint ¶ 39. Based on this, SM Kids pleads causes of action for breach of contract, breach of the implied covenant of good faith and fair dealing, injunctive relief, and declaratory relief.

Defendants filed a notice of removal to this Court on March 26, 2018, and the Plaintiff has not moved to remand. Defendants filed their pre-motion letter with the Court describing the grounds for this motion on April 2, and the Plaintiff submitted its response on April 9.



### Argument

Defendants move to dismiss the Plaintiff's Complaint pursuant to Fed. R. Civ. P. 12(b)(1) and 12(b)(6). Plaintiff lacks standing to enforce the Settlement Agreement, and this Court therefore lacks subject matter jurisdiction.

Even if SM Kids has standing, the Complaint should be dismissed for failure to state a claim. The first cause of action should be dismissed because Plaintiff has not alleged facts establishing a breach of Section 7. The second cause of action should be dismissed because Plaintiff fails to allege any cognizable breach of the implied covenant of good faith and fair dealing. The third and fourth causes of action, for injunctive and declaratory relief, should be dismissed because they are forms of relief, not independent causes of action. Finally, the Plaintiff's Complaint should be dismissed as pleaded against Defendants Alphabet Inc. and XXVI Holdings Inc. because neither entity was a party to the Settlement Agreement.

#### **I. Plaintiff's Complaint Should Be Dismissed Pursuant to Rule 12(b)(1) for Lack of Subject Matter Jurisdiction Because Plaintiff Lacks Standing to Enforce the Agreement Between Google and Stelor.<sup>1</sup>**

Plaintiff asks the Court to enforce an agreement to which it is not a party. The Agreement is with Stelor, an entity that went bankrupt nearly nine years ago. Plaintiff claims that it has standing to enforce the Agreement because it is "the owner of Stelor's business assets, including the Googles trademark and design and the goodwill associated therewith, as well as the

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<sup>1</sup> Plaintiff's response to Defendants' pre-motion letter argues that "Defendants' challenge to subject matter jurisdiction is, in effect, a refutation of its own representations regarding the suitability of jurisdiction in this Court." Dkt. 13 at 2. This argument mischaracterizes Defendants' notice of removal, which states only that this court has jurisdiction by reason of the diversity of citizenship of the parties pursuant to 28 U.S.C. § 1332. The notice of removal did not address the Plaintiff's standing. Moreover, the Plaintiff's standing is an element of this Court's subject matter jurisdiction, and the Defendants' right to challenge it cannot be waived. *See, e.g., EMI Entm't World, Inc. v. Karen Records, Inc.*, No. 05 CIV. 390 LAP, 2013 WL 2480212, at \*2 (S.D.N.Y. June 10, 2013).

benefits (and obligations) set forth in the Agreement.” Dkt. 13 at 1. However, Stelor’s rights under the Settlement Agreement were never expressly assigned to SM Kids. Rather, Plaintiff is relying on the purported trademark assignment from Stelor to Garchik to SJM Partners to SM Kids to establish its rights under the Agreement.<sup>2</sup> But Plaintiff did not acquire the GOOGLES trademark because the assignments from Garchik to SJM Partner to SM Kids were “in gross” and thus invalid. Accordingly, Plaintiff lacks any rights under the Agreement between Google and Stelor.

On a Rule 12(b)(1) motion, a defendant can make a fact-based challenge to standing by offering evidence beyond the pleading. *Carter v. HealthPort Techs., LLC*, 822 F.3d 47, 57 (2d Cir. 2016). The burden then shifts to the plaintiff to produce evidence of its own. *Id.* If it does, the district court must make findings of fact to decide standing. *Id.*

“[W]here a trademark has been assigned ‘in gross,’ i.e., without the accompanying goodwill, then the assignment is invalid.” *Clark & Freeman Corp. v. Heartland Co.*, 811 F. Supp. 137 (S.D.N.Y. 1993). The fact that an assignment *purports* to assign the goodwill associated with a mark is insufficient. *Glow Indus., Inc. v. Lopez*, 273 F. Supp. 2d 1095, 1108 (C.D. Cal. 2003) (*citing* 2 MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 18:24 (4th ed. 2002)). Courts are expected to review the “reality of the transaction” to determine whether the mark was transferred along with the business that produces the mark’s goodwill. *interState Net Bank v. NetB@nk, Inc.*, 348 F. Supp. 2d 340, 349 (D.N.J. 2004). In particular, courts will review whether the physical or tangible assets of the business were transferred. *Id.*; *Prince of*

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<sup>2</sup> When ownership of a trademark is validly transferred, the assignee steps into the shoes of the assignor and assumes all rights and limitations concerning the assigned mark, including rights and obligations pursuant to agreements with third parties. *See* 3 MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 18:15 (5th ed. 2018).

*Peace Enterprises, Inc. v. Top Quality Food Mkt., LLC*, 760 F. Supp. 2d 384, 392 (S.D.N.Y. 2011). If they were not, then the assignment will be regarded as an invalid assignment-in-gross unless the assignee is using the mark to produce goods or services that are substantially the same as the assignor's good and services. *Marshak v. Green*, 746 F.2d 927, 930 (2d Cir. 1984).

None of the physical or tangible assets were transferred in each of the assignments from Stelor to SM Kids, and neither Garchik nor SJM Partners nor SM Kids used the GOOGLES mark in connection with substantially the same services as Stelor. The purported assignments of the mark from Stelor were therefore invalid, and no rights under the Agreement were conveyed.

**A. No Physical or Tangible Assets Were Transferred in Each of the Assignments from Stelor to SM Kids.**

Stelor filed for bankruptcy in 2009 with virtually no assets.<sup>3</sup> When Stelor was unable to find new investors, the court granted Garchik the right to foreclose on the secured assets. *In re Stelor Prods., LLC*, 09-BR-13445 (BLS) (Bankr. D. Del. June 14, 2011). In August 2011, Garchik foreclosed on the googles.com domain name and arranged for Stelor to assign fourteen trademarks to him personally. Mead Dec. Ex. D. But there is no evidence that Garchik acquired any physical or tangible assets of Stelor's business, and the assignment agreement did not include the transfer of any tangible or physical assets. *Id.*

In early 2013, Garchik assigned all of his alleged rights in the GOOGLES mark, including a trademark registration for the mark covering "children's books," to SJM Partners. Mead Dec. Ex. E. The assignment agreement contains no indication of any tangible or physical assets being transferred with the mark. *Id.* The website for SJM Partners indicates that it is a real estate development company. Mead Dec. Ex. F. It also says that Garchik is the President of

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<sup>3</sup> The company's bankruptcy filings indicate that at the time of the bankruptcy it had approximately \$12,000 in assets (nearly all of which was in a 401K plan), \$3 million in secured debt to Garchik, and several million more in unsecured debt. Mead Dec. Ex. A.

SJM Partners, and that he has been a successful real estate developer and owner for 32 years. *Id.* No part of SJM’s website indicates that it has ever operated a “multimedia platform for children that develops music, books, animated series, and other media such as live action short form and reality-based content with the goal of providing children with guidance and support through the use of fun, safe, and educational messages.” Complaint ¶ 15. Nor does the website suggest that SJM or Garchik has ever had anything to do with children’s entertainment.

On February 1, 2018, SJM Partners assigned the GOOGLES mark to SM Kids. Mead Dec. Ex. E. SM Kids is a Delaware LLC formed in 2018 with two members: Garchik and his wife, Marla, presumably for the purpose of filing this lawsuit. Mead Dec. Ex. G. Again, there is no evidence on the face of the assignment or elsewhere that any physical or tangible assets were assigned with the trademark rights.<sup>4</sup>

**B. Plaintiff and Its Predecessors Did not Continue Stelor’s Business.**

The Complaint alleges that Stelor’s services under the GOOGLES mark consisted of a multimedia platform for children. But when Garchik received the right to foreclose on Stelor’s assets, he only proceeded to take a series of trademarks. Garchik even abandoned a trademark application for the GOOGLES mark covering various multimedia-related goods and services, and declined to register a number of copyrights in his own name, even though that intellectual property would appear to be integral to the business. Mead Dec. Ex. I.

Moreover, none of Stelor’s purported assignees ever used the GOOGLES mark to produce substantially similar goods or services, or any goods or services at all. Stelor’s use of the GOOGLES mark, and the use of the mark by Stelor’s assignees since the bankruptcy, can be reconstructed through the Wayback Machine, a digital archive of the Internet. Defendant has

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<sup>4</sup> Domain name records indicate that the domain name has remained registered to Garchik. Mead Dec. Ex. H.

used the Wayback Machine to compile 17 screenshots of the googles.com website since Stelor assigned the mark to Garchik in 2011. Mead Dec. Exs. J and K.

Those screenshots show that neither Garchik, nor SJM Partners, nor SM Kids have used the GOOGLES mark to produce “a multimedia platform for children.” Complaint ¶ 15. The pending trademark application for GOOGLES in connection with multimedia services was abandoned in 2011, after it was transferred to Garchik. Mead Dec. Ex. I. Likewise, related copyright registrations covering multimedia content were never transferred to Garchik at all. *Id.* Nor is there anything about their use of the mark that could be described as substantially similar to Stelor’s business. In fact, the only evidence available demonstrates that they have stopped using the mark.

The screenshot of the googles.com website dated February 2, 2011 reflects the status of Stelor’s business before the mark was assigned to Garchik and he acquired control of the website. Mead Dec. Ex. J at 1. The mark was assigned to Garchik on August 17, 2011, Mead Dec. Ex. D, and Garchik assumed control of the website in or around July 17, 2012, Mead Dec. Ex. H. Despite being given the right to foreclose on the property that secured his loan, including various copyright registrations for related multimedia content, Garchik acquired only trademark filings and the googles.com domain name. Shortly after acquiring the rights to the website, on or around August 5, 2013, Garchik largely deactivated it. Mead Dec. Ex. J at 3.

For the past four and one-half years, the website has remained in disuse. There is no evidence that the website was used during that period to provide a “multimedia platform for children,” and certainly not one that “develops music, books, animated series, and other media such as live action short form and reality-based content with the goal of providing children with guidance and support through the use of fun, safe, and educational messages.” Complaint ¶ 15.

Setting aside whether or not the Plaintiff's description of the googles.com website was ever accurate, it does not remotely describe the status of the website for the several years since Garchik purported to become the mark's assignee.

\* \* \*

Because no physical or tangible assets were transferred with the GOOGLES mark, and because Stelor's alleged successors did not offer substantially similar services as Stelor, there is no evidence to support the validity of the assignments.

**II. Plaintiff's Complaint Should Be Dismissed Pursuant to Rule 12(b)(6) for Failure to State a Claim.<sup>5</sup>**

On a motion to dismiss for breach of contract, the Court should review the contract, which is integral to the Complaint. *Axiom Inv. Advisors, LLC by & through Gildor Mgmt., LLC v. Deutsche Bank AG*, 234 F. Supp. 3d 526, 532-33 (S.D.N.Y. 2017). The initial interpretation of the contract is a matter of law for the Court to decide. *Id.* at 534. The Court is not obligated to accept the allegations of the Complaint relating to how the contract should be construed, and "if the relevant contract provisions are unambiguous and plaintiff has no claim under them, then the claim should be dismissed." *Id.*

In deciding whether the applicable contract provision are unambiguous, the Court should assume the perspective of "a reasonably intelligent person who has examined the context of the entire integrated agreement and who is cognizant of the customs, practices, usages and terminology as generally understood in the particular trade or business." *Id.* The contract should also be interpreted to give full meaning and effect to all of its provisions. *Id.*

Although the Court must accept the Complaint's well-pleaded factual allegations as true, the Court should not credit legal conclusions couched as factual allegations, formulaic recitations

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<sup>5</sup> A Request for Judicial Notice, filed simultaneously, explains why the Court may consider the documents cited in this section.

of the elements of a claim, or even conclusory allegations of fact. *See Saunders v. Bank of Am.*, No. 12 CIV. 9201 GBD RLE, 2014 WL 5089501, at \*7 (S.D.N.Y. Sept. 22, 2014); *Salas v. New York City Dep't of Investigation*, No. 16-CV-8573 (RA), 2018 WL 1614339, at \*2 (S.D.N.Y. Mar. 30, 2018). Nor must this Court credit allegations that are contradicted by documents incorporated into the Complaint by reference or by documents of which it may take judicial notice. *In re Yukos Oil Co. Sec. Litig.*, No. 04 CIV. 5243 (WHP), 2006 WL 3026024, at \*12 (S.D.N.Y. Oct. 25, 2006).

**A. The Breach of Contract Claim Must Be Dismissed.**

The Complaint fails to state a claim for breach of contract for three reasons. First, pursuant to Section 13 of the Settlement Agreement, non-use of the mark terminated the Agreement. Second, Google's alleged conduct falls well within Section 7's safe harbor for "selling, publishing and/or distributing content by third parties." Third, the Complaint failed to sufficiently plead that Google's conduct caused a likelihood of confusion, as Plaintiff must to allege a breach of Section 7.

**1. Non-Use of the GOOGLES Mark Terminated the Agreement.**

Section 13 of the Settlement Agreement provides that the "restrictions . . . on each parties' use of their respective trademarks shall terminate if and when the other party abandons its use of 'GOOGLE' or 'GOOGLES.'" Mead Dec. Ex. C at 5.

This termination provision is effectively a condition precedent to each party's obligation to comply with the Agreement's covenants. If a party to a contract fails to satisfy a condition precedent, then the other party's obligation to perform under the contract is eliminated. *PB Americas Inc. v. Cont'l Cas. Co.*, 690 F. Supp. 2d 242, 249 (S.D.N.Y. 2010).

Under the Lanham Act, use of a mark requires the use of the mark in commerce. *Pom Wonderful, LLC v. Starbuzz Tobacco, Inc.*, No. SACV-11-17 (JVS/MLGx), 2011 WL 13225094,

at \*6 (C.D. Cal. June 6, 2011). That means bona fide use of the mark in the ordinary course of trade, and not merely use calculated to reserve a right in the mark. 15 U.S.C. § 1127. For services, the mark is used in commerce “when it is used or displayed in the sale or advertising of services and the services are rendered in commerce.” *Id.*

The evidence is uncontroverted that Garchik stopped using the mark for extended periods of time. Garchik acknowledges that he stopped using the mark for at least one year. Specifically, in a declaration in a related case, Garchik admits under oath that he stopped using the mark from 2014 to 2015. Mead Dec. Ex. L at 3. That admission alone conclusively establishes that Stelor’s purported successors abandoned their use of the mark.

But Garchik’s declaration understates the period of abandonment, which the Wayback Machine confirms stretches from August 2013 through the present. Since at least the assignment to SJM Partners, the owner of the GOOGLES mark has never used the mark in the sale or advertising of services on googles.com. The website has been in disuse since 2013, and screenshots confirm that it has never been used to sell or even advertise any services. Mead Dec. Exs. J and K. Based on the extended period of non-use, the Court should find that the Settlement Agreement terminated.

The Plaintiff’s response to Defendants’ pre-motion letter admits that under the Lanham Act, three years of non-use would create a rebuttable presumption of abandonment. In support of this motion, Defendants have established more than four years of non-use. Plaintiff argues that, if so, the “burden would then shift to SM Kids to present ‘contrary evidence as, when viewed in the light most favorable to [SM Kids], would permit a reasonable jury to infer that it had not abandoned the mark.’” Dkt. 13 at 2. However, on a motion to dismiss, the burden is on the Plaintiff to plead specific facts to overcome that rebuttable assumption, and it has not done



so. Thus, even if the non-use only created a rebuttal presumption of abandonment, the Court should find that Plaintiff has failed to plead specific facts that would overcome that presumption.

**2. The Breach of Contract Claim Fails Because Google’s Conduct Is Well Within Section 7’s Safe Harbor.**

Plaintiff’s cause of action for breach of contract alleges that Google breached the Settlement Agreement by failing to comply with Section 7’s prohibition on “modify[ing] its offerings of products and services that have created confusion with Stelor’s children-related product and services.” Complaint ¶ 4. The Complaint identifies Google’s development of Google Play and YouTube Kids as breaching Section 7. Yet, by the Plaintiff’s own description of these two services, they fall well within Section 7’s safe harbor for “publishing and/or distributing content by third parties.” Mead Dec. Ex. C at 4.

The Complaint alleges that Google Play is a “digital distribution service,” which “distributes not only ‘apps,’ but also games, music, books, movies, television shows, and various news-related products,” including products which target children. ¶ 23. The Plaintiff also cites Google Play’s “Distribution Agreement” to explain that Google Play “display[s] and mak[es] Products available for viewing, download, and purchase by users.” ¶ 24. Finally, the Complaint summarizes its description of Google Play by explaining that “Google Play therefore functions as a publisher.” ¶ 25.

But as a “publisher,” Google is acting well within Section 7’s safe harbor for “selling, publishing and/or distributing content by third parties.” Mead Dec. Ex. C at 4. The same is true of YouTube Kids. The Complaint acknowledges that YouTube Kids “publishes and distributes” third-party content. ¶ 34. Thus, Google’s distribution through YouTube Kids is also well within Section 7’s safe harbor, even if the content published on YouTube Kids is for children.

The Plaintiff recognizes the significance of Section 7's safe harbor for selling, publishing, or distributing third-party content, and the likelihood that the safe harbor authorizes Google's development of Google Play and YouTube Kids. That is why the Complaint emphasizes that YouTube Kids also "creates fictional children's-related content on YouTube Kids." ¶ 35. In particular, the Complaint alleges that "[i]n February 2017, Google announced that its Original Content Team has added four new original fictional series 'created especially with the YouTube Kids app in mind.'" ¶ 35.

But while such children's content created by Google—rather than merely sold, published, or distributed by it—may not fall within Section 7's safe harbor, the bare allegation that the YouTube Kids content was created by Google fails to state a claim for breach. To breach Section 7, Google must "modif[y] its current offerings of products or services in a manner that is likely to create confusion in connection with Stelor's present business." Mead Dec. Ex. C at 3-4 (Settlement Agreement). Section 7 explains, by way of example, that Google could create such a confusion by "creat[ing], develop[ing] and publish[ing] . . . fictional children's related content that have a title of 'GOOGLE' or a 'GOOGLE-' formative title or mark." *Id.* at 4 (emphasis added). Yet, the allegation that Google created "four new original fictional series," ¶ 35, does not allege that any of those original fictional series "is likely to create confusion in connection with Stelor's present business"—i.e., its business as of 2008, Mead Dec. Ex. C at 4.

While the Complaint is silent about the names of these four new original fictional series, the blog post that the Complaint cites explains that the four series are called "Hyperlinked," "DanTDM Creates a Big Scene," "The Kings of Atlantis," and "Fruit Ninja: Frenzy Force."

Complaint ¶ 35 at n.12; Mead Dec. Ex. M (blog post).<sup>6</sup> These four series are among tens of thousands of videos available on YouTube Kids. None of these series use GOOGLE or a GOOGLE-formative title, and, therefore, do not plausibly create confusion in connection with Stelor’s business as of 2008. Nor does the Complaint allege any other respect in which the names of any of those four series are likely to create confusion with Stelor’s “present business”—i.e., its business as of 2008.<sup>7</sup>

Plaintiff’s response to Defendants’ pre-motion letter addresses the significance of Section 7’s safe harbor by arguing that the “‘safe harbor’ does nothing to limit the underlying promises Google made in paragraph 7 of the Agreement.” Dkt. 13 at 3. Yet, Defendants’ interpretation of the Settlement Agreement does not depend on the safe harbor limiting the “underlying promises.” Whether or not the safe harbor is understood as (i) limiting the underlying promises or (ii) as describing activities that are beyond the scope of the underlying promises, there can be no dispute that the activities described in the safe harbor were understood by the parties to the

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<sup>6</sup> The Court may consider the blog post because the Complaint cites it at footnote 12. *In re MF Glob. Holdings Ltd. Inv. Litig.*, 998 F. Supp. 2d 157, 167 at n.4 (S.D.N.Y. 2014) (“In evaluating a motion to dismiss, the Court may consider any documents cited and relied upon or incorporated by reference in the complaint as the factual sources of the pleadings.”).

<sup>7</sup> The only other activities by Google that the Plaintiff alleges breached Section 7 of the Settlement Agreement are described in paragraph 37 of the Complaint, where the Plaintiff summarily alleges that Camp Google, Project Bloks, and Toontastic breached Section 7. Camp Google was an online science camp that Google offered for one summer and discontinued in 2015. Project Bloks is a research project in which Google is collaborating with IDEO to develop a hardware and software platform that will teach children to code using tangible objects (as opposed to programming languages). Toontastic is an app that allows children to make animated stories. SM Kids alleges that these activities “have created confusion with Stelor’s children’s-related multimedia business.” ¶ 37. Except for Camp Google, none of these activities have a title of GOOGLE or a GOOGLE-formative mark, and in the case of Camp Google, while it uses a GOOGLE formative mark, it is neither a fictional children’s book, video, or other fictional children’s related content. Nor does the Complaint allege a single fact describing how these activities create a likelihood of such confusion with Stelor’s defunct business, and the court is not required to accept the legal conclusion that they do.

Settlement Agreement as discrete from the activities encompassed by the underlying promises and not violative of those promises. There is no other way to explain the prefatory language to the safe harbor, which provides that “nothing in [the Settlement Agreement] precludes Google from” engaging in the activities encompassed by the safe harbor. Mead Dec. Ex. C at 4 (Settlement). Plaintiff’s response to Defendants’ pre-motion letter does not offer any other reading.<sup>8</sup>

**3. The Breach of Contract Claim Fails Because Plaintiff Fails to Allege Likelihood of Confusion.**

Section 7 only prohibits material modifications to Google’s offerings of products and services that are “likely to create confusion in connection with Stelor’s present business.” *Id.* at 3-4. Yet Plaintiff does not make a single factual allegation that would support the legal conclusion that the activities Plaintiff describes would create confusion. The Complaint only recites the conclusory allegation that Google’s activities have created confusion without any details whatsoever as to how they have created confusion, or even whether they are alleging forward or reverse confusion. ¶¶ 4, 22, 37.

Plaintiff’s response to Defendants’ pre-motion letter argues that it “need not ‘prove’ confusion at the motion to dismiss stage,” and that “likelihood of confusion is a fact-intensive analysis that ordinarily does not lend itself to a motion to dismiss.” Dkt. 13 at 3. But Defendants

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<sup>8</sup> Plaintiff’s response to Defendant’s pre-motion letter also mischaracterizes the so-called “underlying promises.” Plaintiffs contend that Google agreed “[a] not to modify its business to create confusion with Stelor’s business, and [b] not to create, develop, or publish fictional children’s content.” Dkt. 13 at 3. But the so-called second promise was not intended to be a separate promise, but solely an example of the activities prohibited by the first promise. Moreover, while Plaintiff argues that it prohibits “creat[ing], develop[ing] or publish[ing]” fictional children’s related content in the disjunctive, the text of this provision is in the conjunctive. *Compare* dkt. 13 at 3 *with* Mead Dec. Ex. C at 4 (Settlement). The plain language of the provision only prohibits fictional children’s related content that Google creates, develops, *and* publishes; and the content only breaches Section 7 if it uses GOOGLE or a GOOGLE-formative title or mark.

are not arguing that the Complaint must *prove* that Google’s activities have created confusion with Stelor’s business as of December 2008; they are only arguing that the Complaint must allege specific facts that support a plausible inference that consumers are likely to be confused.

In the Second Circuit, to plead likelihood of confusion, the plaintiff must plead facts sufficient to satisfy the eight-factor *Polaroid* test. *Polaroid Corp. v. Polarad Elecs. Corp.*, 287 F.2d 492 (2d Cir. 1961). Courts routinely dismiss claims with conclusory allegations of likelihood of confusion, even in cases where those allegations are more robust than the Plaintiff’s. *See TechnoMarine SA v. Jacob Time, Inc.*, 905 F. Supp. 2d 482, 489 (S.D.N.Y. 2012) (reviewing the complaint to determine if the facts alleged were sufficient to permit a plausible inference of consumer confusion); *Ahmed v. GEO USA LLC*, No. 14-CV-7486 JMF, 2015 WL 1408895, at \*3 (S.D.N.Y. Mar. 27, 2015) (rejecting allegations of confusion as “conclusory” and “devoid of any factual detail”); *Pub. Free Will Corp. v. Verizon Commc’ns Inc.*, No. 15-CV-6354 (RRM/JO), 2017 WL 1047330, at \*4 (E.D.N.Y. Mar. 17, 2017) (explaining that Plaintiff is still required to allege facts regarding likelihood of confusion that would state a claim to relief that is plausible on its face, and also explaining that legal conclusions tracking the text of the Lanham Act and the *Polaroid* factors are insufficient).

The burden is on the Plaintiff to allege facts to support the plausible inference that Google’s conduct created a likelihood of confusion with Stelor’s business, as it existed in 2008. It has failed to do so, and Defendants do not believe that Plaintiff *can* adequately allege consumer confusion because it and its predecessors have not operated a business since at least Stelor’s bankruptcy, when Garchik called the business “defunct.” Mead Dec. Ex. B.

**B. The Breach of the Covenant of Good Faith and Fair Dealing Claim Must Be Dismissed.**

SM Kids alleges that Defendants breached the Settlement Agreement's implied covenant of good faith and fair dealing by engaging in the same conduct that underlies the Plaintiff's breach of contract claim. Paragraph 47 of the Complaint, in which Plaintiff alleges Defendants' breach of the implied covenant, expressly cross-references paragraph 43, the paragraph that set forth the conduct that underlies Plaintiff's breach of contract claim. Under New York law, "[a] claim for breach of the implied covenant will be dismissed as redundant where the conduct allegedly violating the implied covenant is also the predicate for breach of covenant of an express provision of the underlying contract." *ICD Holdings S.A. v. Frankel*, 976 F. Supp. 234, 243-44 (S.D.N.Y. 1997) (internal punctuation omitted); *see also Harris v. Provident Life & Acc. Ins. Co.*, 310 F.3d 73, 81 (2d Cir. 2002) ("New York law . . . does not recognize a separate cause of action for breach of the implied covenant of good faith and fair dealing when a breach of contract claim, based upon the same facts, is also pled."). Plaintiff's second cause of action should be dismissed as redundant.

The only non-redundant allegation that Plaintiff invokes in support of its cause of action for breach of the implied covenant of good faith and fair dealing claim is that "a search for Googles on the Google search engine does not return a reference to Googles.com." ¶ 48. That allegation is false. A search for Googles (without quotation marks) returns nearly 3 billion results. Mead Dec. Ex. N. While the location of googles.com may vary greatly among those search results, the GOOGLE search engine does return references to it. *Id.*

Further, the Complaint does not allege that any deliberate conduct by Google produced that result, and any suggestion that Google has proactively prevented a website for Plaintiff's defunct business from appearing in search results would be entirely without basis.

**C. The Claims for Injunctive and Declaratory Relief Must Be Dismissed.**

The third and fourth causes of action purport to be independent causes of action for injunctive and declaratory relief based on the same conduct that underlies the first and second causes of action. However, requests for injunctive and declaratory relief are remedies based on the violation of some other right, not independent causes of action. *Trodale Holdings LLC v. Bristol Healthcare Inv'rs, L.P.*, No. 16 CIV. 4254 (KPF), 2017 WL 5905574, at \*11 (S.D.N.Y. Nov. 29, 2017). Both should be dismissed, as Plaintiff's response to Defendants' pre-motion letter effectively concedes. Dkt. 13 at 3 n.1.

**III. Plaintiff's Complaint Should Be Dismissed Against Alphabet Inc. and XXVI Holdings Inc.**

Even if the Complaint could be sustained against Google LLC, the Court should dismiss the claims against Alphabet Inc. and XXVI Holdings Inc. because the Plaintiff's first and second causes of action are brought under the Settlement Agreement and neither of those two Defendants are parties to the Agreement. *See, e.g., Mazzei v. Money Store*, 308 F.R.D. 92, 109 (S.D.N.Y. 2015) (holding that a non-signatory cannot be named as a defendant to a breach of contract action unless it assumed or was assigned the contract).<sup>9</sup>

**CONCLUSION**

For the foregoing reasons, the Complaint should be dismissed pursuant to Rules 12(b)(1) and 12(b)(6).

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<sup>9</sup> Plaintiff's response to Defendants' pre-motion letter argues that the Settlement Agreement was "signed by the now defunct 'Google Inc.' [and] it would therefore be inappropriate to dismiss any of the Defendants until discovery sorts out which of the current three Google Defendants is legally responsible to fulfill the obligations of the Agreement." Dkt. 13 at 3 n.1. But no such discovery is necessary, and Alphabet Inc. and XXVI Holdings Inc. can be dismissed now because a publicly-available Certificate of Conversion evidencing the conversion from Google Inc. to Google LLC establishes that Google LLC is Google Inc.'s successor-in-interest. *Mead Dec. Ex. G.*

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Respectfully submitted,

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