

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

3
4 J.K. HARRIS & COMPANY, LLC, a South
Carolina limited liability company,

5 Plaintiff,

6 v.

7 STEVEN H. KASSEL, an individual;
8 and FIRSE TAX, INC., a California
Corporation, d/b/a TAXES.COM,

9 Defendants.
10 _____/

No. 02-0400 CW

ORDER GRANTING
RECONSIDERATION
AND AMENDING
ORDER GRANTING
IN PART AND
DENYING IN PART
PLAINTIFF'S
APPLICATION FOR
A PRELIMINARY
INJUNCTION

11
12 Plaintiff J.K. Harris & Company, LLC moved for a temporary
13 restraining order (TRO) and then a preliminary injunction
14 enjoining Defendants from 1) using the trade name "J.K. Harris"
15 on Defendants' "taxes.com" web site; 2) publishing defamatory,
16 untrue or misleading information about Plaintiff; 3) using HTML
17 code and computer programming techniques to divert Internet
18 users looking for Plaintiff's web site to Defendants' web site;
19 and 4) using any editorial position at Internet directories to
20 promote Defendants' business and interfere with Plaintiff's
21 business. The Court granted Plaintiff's request for a TRO and
22 then, in an Order dated March 22, 2002, the Court granted in
23 part and denied in part Plaintiff's motion for a preliminary
24 injunction. The Court enjoined Plaintiff from "using more of
25 Plaintiff's trade name than is reasonably necessary to identify
26 that it is Plaintiff's services being described" and from making
27 or disseminating certain identified allegedly false statements.
28

1 March 22, 2002 Order at 21-22. Defendants then requested that
2 they and amicus curie the Electronic Frontier Foundation (EFF)
3 be granted leave to file a motion for reconsideration. The
4 Court granted Defendants' request as to the issues raised by
5 EFF's brief in support of Defendants' request for
6 reconsideration. After considering all of the papers filed by
7 the parties and by the amicus curie, the Court now GRANTS
8 Defendants' motion for reconsideration. The Court VACATES its
9 March 22, 2002 Order and substitutes this Order. Specifically,
10 the Court withdraws its prior analysis of New Kids on the Block
11 v. News Am. Publ'g Co., 971 F.2d 302 (9th Cir. 1992) located on
12 pages 10 to 12 of the Court's March 22, 2002 Order and replaces
13 it with a modified analysis located on pages 11 to 13 of the
14 current Order. The Court also withdraws as moot its prior
15 discussion of initial interest confusion located on pages 12 to
16 14 of the March 22, 2002 Order. Finally, the Court modifies the
17 scope of preliminary injunctive relief in light of its new
18 analysis.

19 BACKGROUND

20 A. The Parties

21 Plaintiff claims to be the largest tax representation and
22 negotiation company in the United States. It specializes in
23 negotiating with the IRS to eliminate or reduce assessed tax
24 liability and to work out favorable payment terms. Declaration
25 of Monica Linder (Linder Dec.), ¶ 4. Defendants are direct
26 competitors with Plaintiff in the business of tax
27 representation. Id. ¶ 5.

1 B. Facts Relevant to False Representation Claims

2 Both Plaintiff and Defendants advertise their services on
3 the Internet. Plaintiff's universal resource locator (URL) is
4 www.jkharris.com. Defendants' URL is www.taxes.com. Defendants
5 have published on their web site unfavorable information about
6 Plaintiff. Prior to the issuance of the temporary restraining
7 order in this case, Defendants' web site contained a page
8 entitled "JK Harris Employees Tell of Wrongdoing While
9 Complaints Pile Up." On this page, Defendants describe a
10 federal investigation of Plaintiff, criticize Plaintiff's
11 business practices, and republish anonymous statements about
12 Plaintiff from individuals identified as former customers or
13 former employees of Plaintiff. Defendants also solicit
14 information critical of Plaintiff for publication on their web
15 site. Plaintiff contends that numerous statements attributable
16 both to Defendants and to those anonymously contributing to
17 Defendants' web site are false and misleading.

18 C. Facts Relevant to Consumer Confusion Claim

19 Many consumers looking for services on the Internet use a
20 "search engine" to identify the URL of the company they are
21 seeking. When a user enters a name into a search engine, the
22 search engine provides a list of web sites that contain that
23 name and, presumably, the information sought by the user.
24 Plaintiff alleges that Defendants have manipulated the web site
25 architecture of taxes.com so that when a consumer searches for
26 Plaintiff's web site, Defendants' web site is among those web
27 sites displayed. Specifically, Plaintiff contends that this was

1 done by a) "creating keyword density" using Plaintiff's trade
2 name and permutations thereof; b) creating "header Tags" and
3 "underline Tags" around sentences that use Plaintiff's trade
4 name; c) using Plaintiff's trade name as a "keyword" in numerous
5 areas of the web site;
6 d) using various "hot links" to web sites with information about
7 Plaintiff. Declaration of Tony D. Spencer (Spencer Dec.) ¶ 5;
8 Supplemental Declaration of Tony D. Spencer (Spencer Supp. Dec.)
9 ¶ 4.

10 On October 23 and 24, 2001, Plaintiff conducted a series of
11 searches for the name "JK Harris" on eleven different Internet
12 search engines. In one of eleven searches, Defendants' web site
13 was the first one listed. On most of the searches, a link to
14 Defendants' web site under the title "Complaints about JK Harris
15 Pile Up" was listed among the first ten links. On March 11,
16 2002, Plaintiff conducted an identical search. Defendants' web
17 site appeared among the first ten web sites listed on all eleven
18 search engines.

19 D. Editor Position

20 Defendant Kassel is an editor of the Open Directory Project
21 (ODP). The ODP produces a comprehensive directory of web sites
22 by relying on numerous volunteer editors who rank and decide
23 which web sites are useful resources for the web public.

24 LEGAL STANDARD

25 "The basis for injunctive relief in the federal courts has
26 always been irreparable injury and the inadequacy of legal
27 remedies." Weinberger v. Romero-Barcelo, 456 U.S. 305, 312

1 (1982). To establish entitlement to a preliminary injunction, a
2 moving party must demonstrate either:

3 (1) a combination of probable success on the merits and
4 the possibility of irreparable harm, or

5 (2) that there exist serious questions regarding the
6 merits and the balance of hardships tips sharply in its
7 favor.

8 Rodeo Collection, Ltd. v. West Seventh, 812 F.2d 1215, 1217 (9th
9 Cir. 1987); California Cooler, Inc. v. Loretto Winery, Ltd., 774
10 F.2d 1451, 1455 (9th Cir. 1985); see also William Inglis & Sons
11 Baking Co. v. ITT Continental Baking Co., 526 F.2d 86, 88 (9th
12 Cir. 1975); County of Alameda v. Weinberger, 520 F.2d 344, 349
13 (9th Cir. 1975). The test is a "continuum in which the required
14 showing of harm varies inversely with the required showing of
15 meritoriousness." Rodeo Collection, 812 F.2d at 1217 (quoting
16 San Diego Comm. Against Registration and the Draft v. Governing
17 Bd. of Grossmont Union High Sch. Dist., 790 F.2d 1471, 1473 n.3
18 (9th Cir. 1986)). To overcome a weak showing of merit, a
19 plaintiff seeking a preliminary injunction must make a very
20 strong showing that the balance of hardships is in its favor.
21 Rodeo Collection, 812 F.2d at 1217.

22 DISCUSSION

23 Plaintiff seeks injunctive relief under several distinct
24 legal theories. Plaintiff asserts a claim under the Lanham Act
25 both because Defendants' conduct creates "initial interest
26 confusion" among consumers looking for Plaintiff's services and
27 because, Plaintiff contends, Defendants have published false and
28 misleading representations of fact on their web site. 15 U.S.C.

1 § 1125(a).

2 Plaintiff also bases its request for injunctive relief on
3 alleged violations of State laws prohibiting unfair competition
4 and false and misleading advertising. See Cal. Bus. & Prof.
5 Code
6 §§ 17200, 17500.

7 Lastly, Plaintiff brings a claim for defamation, contending
8 that the false statements published on Defendants' web site are
9 injurious to Plaintiff's reputation.

10 D. Lanham Act

11 Section 43 of the Lanham Act provides:

12 Any person who, on or in connection with any goods or
13 services, or any container for goods, uses in commerce
14 any word, term, name, symbol or device, or any
15 combination thereof, of any false designation of
16 origin, false or misleading description of fact, or
17 false or misleading representation of fact, which (A)
18 is likely to cause confusion or to cause mistake or to
19 deceive as to the affiliation, connection or
20 association of such person with another person, or as
21 to the origin, sponsorship, or approval of his or her
22 goods, services, or commercial activities by another
23 person . . . shall be liable in a civil action by any
24 person who believes that he or she is or is likely to
25 be damaged by such act.

15 U.S.C. § 1125.

20 1. Initial Interest Confusion

21 The Ninth Circuit has held that "initial interest
22 confusion" is actionable under section 43 of the Lanham Act.
23 Initial interest confusion "occurs when a consumer is lured to a
24 product by its similarity to a known mark, even though the
25 consumer realizes the true identity and origin of the product
26 before consummating a purchase." Eli Lilly & Co. v. Natural
27

28

1 Answers, Inc., 233 F.3d 456, 464 (7th Cir. 2000); see also
2 Brookfield Communications, Inc. v. West Coast Entm't Corp., 174
3 F.3d 1036, 1062 (9th Cir. 1999).

4 In Brookfield Communications, the court enjoined the
5 defendant from using the plaintiff's trademarked term in its
6 HTML code. Although HTML code is not visible to consumers and,
7 therefore, is not likely to cause consumer confusion, the use of
8 trademarked terms in a web site's hidden code "will still result
9 in what is known as initial interest confusion." Brookfield
10 Communications, 174 F.3d at 1062.¹ The court reasoned that

11 Web surfers looking for Brookfield's "MovieBuff"
12 products who are taken by a search engine to
13 "westcoastvideo.com" will find a database similar
14 enough to "MovieBuff" such that a sizeable number of
15 consumers who were originally looking for Brookfield's
16 product will simply decide to utilize West Coast's
17 offerings instead. Although there is no source
18 confusion in the sense that consumers know they are
19 patronizing West Coast rather than Brookfield, there is
20 nevertheless initial interest confusion in the sense
21 that, by using "moviebuff.com" or "MovieBuff" to divert
22 people looking for "MovieBuff" to its web site, West
23 Coast improperly benefits from the goodwill that
24 Brookfield developed in its mark.

18 Id.²

19 Plaintiff here alleges that Defendants have constructed the
20 taxes.com web site so that web surfers searching for Plaintiff's
21

22 ¹The Brookfield Communications court used the term
23 "metatags" to refer to "HTML code not visible to Web users but
24 used by search engines in determining which sites correspond to
25 the keywords entered by a Web user." 174 F.3d at 1061-1062
26 n.23.

27 ²Defendants' argument that initial interest confusion is
28 only actionable when combined with a separate trademark
infringement claim is unpersuasive. The above-quoted rationale
from Brookfield makes clear that initial interest confusion is a
distinct harm, separately actionable under the Lanham Act.

1 web site will be referred to Defendants' web site as well.
2 Plaintiff alleges that Defendants have accomplished this purpose
3 by applying a "strategic combination of computer programming
4 techniques," including excessive uses of Plaintiff's trade name,
5 the use of "header tags" and "underline tags" around sentences
6 containing Plaintiff's trade name, and the use of larger fonts
7 and strategic placement of sentences containing Plaintiff's
8 trade name on Defendants' web site.

9 The alleged result of Defendants' conduct is that web users
10 who search for Plaintiff's trade name are simultaneously given
11 an opportunity to visit Defendants' web site by clicking on a
12 link that stated, prior to the issuance of the TRO in this
13 action, "Complaints about JK Harris Pile Up." A reasonable
14 consumer would not believe that Plaintiff is the sponsor of this
15 negative publicity, but might choose to investigate these
16 charges by visiting Defendants' web site before securing
17 Plaintiff's tax representation services. Once at www.taxes.com,
18 potential consumers are provided with what Plaintiff alleges are
19 false and misleading comments about Plaintiff's services. Web
20 users might then decide that because of the negative comments
21 about Plaintiff they should secure tax representation services
22 from Defendants, or, they might simply decide that the services
23 offered by Plaintiff and Defendants are sufficiently similar
24 that "it is not worth the trouble" of returning to Plaintiff's
25 web site. Id. at 1064.

26 In this way, Plaintiff alleges that its potential customers
27 may be diverted to Defendants' services. As was the case in
28

1 Brookfield Communications, consumers will immediately realize
2 that they are not patronizing Plaintiff. Nevertheless, the
3 alleged use of Plaintiff's trademark in the HTML code and in the
4 content of Defendants' web site allows Defendants initially to
5 divert Plaintiff's potential consumers to its web site.

6 Defendants contend that their intent is not to confuse
7 customers, but to warn them about business practices which
8 Defendants contend are harmful to consumers. Defendants argue
9 that their use of Plaintiff's trademark for this purpose is
10 "nominative" use and, therefore, permissible.³

11 In New Kids on the Block v. News Am. Publ'g, Inc., 971 F.2d
12 302, 308 (9th Cir. 1992), the Ninth Circuit articulated a three
13 part test for determining when an unauthorized use of an
14 undisputed trademark is permissible. The court stated

15 where the defendant uses a trademark to describe the
16 plaintiff's product, rather than its own, we hold that
17 a commercial user is entitled to a nominative fair use
18 defense provided he meets the following three
19 requirements: First, the product or service in question
20 must be one not readily identifiable without use of the
21 trademark; second, only so much of the mark or marks
22 may be used as is reasonably necessary to identify the
23 product or service; and third, the user must do nothing
24 that would, in conjunction with the mark, suggest
25 sponsorship or endorsement by the trademark holder.

26 971 F.2d at 308. In a footnote elaborating on this standard for
27 "nominative fair use," the court stated, "Thus, a soft drink
28 competitor would be entitled to compare its product to Coca-Cola
or Coke, but would not be entitled to use Coca-Cola's

³Nominative use occurs when "the only word reasonably
available to describe a particular thing is pressed into
service." New Kids on the Block, 971 F.2d at 308.

1 distinctive lettering." Id. n.7.

2 In Playboy Enters., Inc. v. Welles, 279 F.3d 796 (9th Cir.
3 2002), the court applied the New Kids on the Block three part
4 test to the request of plaintiff Playboy Enterprise Inc. (PEI or
5 Playboy) to enjoin the defendant Welles from using PEI's
6 trademark in the metatags in Welles' web site. In that case,
7 the court held that Welles could continue to use Playboy's trade
8 names in her metatags because those trademarks actually
9 described the services provided by Welles. "There is no other
10 way that Ms. Welles can identify or describe herself and her
11 services" Welles, 279 F.3d at 802. Although the facts
12 of Welles are inapposite here (Defendants need not use
13 Plaintiff's trade name to identify Defendants' own products),
14 the Ninth Circuit noted that its holding was intended to protect
15 those who criticize the holder of a well-known trademark as well
16 as those, like Welles, whose notoriety is tied to it.
17 "Similarly, someone searching for critiques of Playboy on the
18 Internet would have a difficult time if Internet sites could not
19 list the object of their critique in their metatags." Id. at
20 804.

21 Plaintiff's request for an order enjoining Defendants from
22 using the trade name "J.K. Harris" on their web site or in the
23 HTML code for their web site must be evaluated pursuant to the
24 New Kids on the Block three part test.

25 In cases in which the defendant raises a nominative use
26 defense, the above three-factor test should be applied
27 instead of the test for likelihood of confusion set
28 forth in Sleekcraft When a defendant uses a
trademark nominally, the trademark will be identical to

1 the plaintiff's mark, at least in terms of the words in
2 question. Thus, application of the Sleekcraft test,
3 which focuses on the similarity of the mark used by the
4 plaintiff and the defendant, would lead to the
5 incorrect conclusion that virtually all nominative uses
6 are confusing.

7 Welles, 279 F.3d at 801. In this case, unlike Brookfield
8 Communications, Defendants are using Plaintiff's mark "to
9 describe the plaintiff's products." New Kids on the Block, 971
10 F.2d at 308. Thus, if their use satisfies the three prongs of
11 the New Kids on the Block test, it is permissible.⁴

12 Defendants' use of the trade name J.K. Harris satisfies all
13 three prongs of the New Kids on the Block test.⁵ The first prong
14 is met because, like the singing group New Kids on the Block and
15 the company Playboy Enterprises, the tax representation service
16 J.K. Harris is simply "not readily identifiable without use of
17 the mark." New Kids on the Block, 971 F.2d at 308. The third
18 prong is met because it is clear from the context of Defendants'
19 web site that Plaintiff has not sponsored or endorsed the
20 information provided there.

21 While it is a closer question, the second prong of the New
22 Kids on the Block test is also met. That prong requires that

23 ⁴In Brookfield Communications, on the other hand, the
24 defendant used the plaintiff's trade name without referring to
25 the true owner of the mark. 174 F.3d at 1066. The defendant's
26 use was consequently analyzed pursuant to Sleekcraft and the
27 court enjoined the continued use of the plaintiff's trade name.

28 ⁵In a later portion of this order, the Court addresses
Plaintiff's allegation that Defendants have published false
information about Plaintiff on their web site. Here, however,
the Court is only addressing Plaintiff's request to enjoin
Defendants from all uses of the name "J.K. Harris" as proscribed
by the Lanham Act.

1 "only so much of the mark or marks be used as is reasonably
2 necessary to identify the product or services." 971 F.2d at
3 308. This requirement derives from a concern that a defendant's
4 use of the plaintiff's mark not exceed its legitimate
5 referential purpose. Toho Co., Ltd. v. William Morrow & Co.,
6 Inc., 33 F. Supp. 2d 1206, 1211 (C.D. Cal. 1998). What is
7 reasonably necessary to identify the plaintiff's products or
8 services differs from case to case. Cairns v. Franklin Mint
9 Co., 292 F.3d 1139, 1154 (9th Cir. 2002). Here, there is no
10 allegation that Defendants used anything other than J.K Harris's
11 trade name. Cf. New Kids on the Block, 917 F.2d at 308 n.7
12 ("[A] soft drink competitor would be entitled to compare its
13 product to Coca-Cola or Coke, but would not be entitled to use
14 Coca-Cola's distinctive lettering."); Toho Co., Ltd., 33 F.
15 Supp. 2d at 1209, 1211 (finding this requirement not met because
16 the defendant employed the plaintiff's distinctive lettering
17 style). Rather, Plaintiff complains that Defendants' web pages
18 used its trade name frequently and in a manner designed to call
19 attention to that name, for example by placing it at the
20 beginning of a web page or underlining it. While the evidence
21 submitted to the Court demonstrates that Defendants' web site
22 does contain frequent references to J.K. Harris, these
23 references are not gratuitous; rather, Defendants' web site
24 refers to J.K. Harris by name in order to make statements about

1 it.⁶ This referential use of Plaintiff's trade mark is exactly
2 what the nominative fair use doctrine is designed to allow. See
3 New Kids on the Block, 971 F.2d at 306-07 ("Much useful social
4 and commercial discourse would be all but impossible if speakers
5 were under threat of an infringement lawsuit every time they
6 made reference to a person, company or product by using its
7 trademark."). Similarly, while the evidence submitted to the
8 Court demonstrates that Defendants often made the J.K. Harris
9 name visually obvious, this is not unreasonable, because
10 criticizing J.K. Harris was one of the primary objectives of the
11 web pages. Thus, Defendants' referential use of the J.K. Harris
12 trade name, even though frequent and obvious, satisfies the
13 second prong of the New Kids on the Block Test, in that "only so
14 much of the mark or marks [are] used as is reasonably necessary
15 to identify the product or services." New Kids on the Block,
16 971 F.2d at 308.

17 Because Defendants' use of the J.K. Harris trade name
18 satisfies all three prongs of the New Kids on the Block test,
19 Plaintiff has not demonstrated a probability of success on the
20 merits. Therefore, Plaintiff is not entitled to a preliminary
21 injunction limiting Defendants' use of the J.K. Harris trade
22 name.

23 2. False and Misleading Advertising

24
25 ⁶Here, Defendants' repeated use of the J.K. Harris trade
26 name is part of the content of their web site and has a
27 referential purpose. Thus, this case does not raise the issue
28 contemplated in Welles, 279 F.3d at 804, of a web site that
repeatedly uses the trademark in metatags that are invisible to
the web user.

1 Plaintiff has also moved to enjoin any "statement
2 concerning plaintiff J.K. Harris . . . that is defamatory,
3 untrue, or misleading and that is known, or by the exercise of
4 reasonable care should be known, to be defamatory, untrue or
5 misleading." Whether any of the content on Defendants' web
6 sites may be enjoined as false and misleading is separate and
7 distinct from the question of whether Plaintiff is likely to
8 succeed on its claim that Defendants' use of Plaintiff's trade
9 name causes initial interest confusion among consumers.

10 Defendants argue that this Court may not enjoin any of the
11 content on their web site because such an order would constitute
12 a prior restraint on speech in violation of the First Amendment.
13 Organization for a Better Austin v. Keefe, 402 U.S. 415, 419
14 (1971) (an injunction is a "prior restraint on expression [that]
15 comes to this Court with a 'heavy presumption' against its
16 constitutional validity") (citing Carroll v. President and
17 Comm'rs of Princess Anne, 393 U.S. 175, 181 (1968); Bantam
18 Books, Inc. v. Sullivan, 372 U.S. 58, 70 (1963)).

19 Plaintiff, on the other hand, contends that the presumption
20 against prior restraints is inapplicable because the speech in
21 question here is commercial speech and the Supreme Court has
22 made clear that false or misleading commercial speech "is not
23 protected by the First Amendment at all." City of Cincinnati v.
24 Discovery Network, Inc., 507 U.S. 410, 434 (1993); see also
25 Central Hudson Gas & Electric Corp. v. Public Service Comm., 447
26 U.S. 557, 566 (1980) (misleading commercial speech is beyond the
27 reach of the First Amendment).

1 It is true that false or misleading commercial speech may
2 be prohibited entirely. In re R.M.J., 455 U.S. 191, 203 (1982).
3 It is also true that the Lanham Act specifically proscribes
4 false statements made in a commercial advertisement that have a
5 tendency to deceive a substantial segment of the audience.
6 Southland Sod Farms v. Stover Seed Co., 108 F.3d 1134, 1139 (9th
7 Cir. 1997). A party who has been or is likely to be injured as
8 a result of the false statement, either by direct diversion of
9 sales from itself to another or by a lessening of the goodwill
10 associated with its products, may seek an injunction. See id.;
11 U-Haul Int'l, Inc. v. Jartran, Inc., 793 F.2d 1034, 1042 (9th
12 Cir. 1986). However, these principles do not resolve the
13 permissible breadth of any injunction entered pursuant to this
14 section of the Lanham Act.

15 In U-Haul Int'l, for example, the Ninth Circuit upheld a
16 permanent injunction against advertisements "found to be false
17 and deceptive," under the Lanham Act. 793 F.2d at 1042.
18 However, the Ninth Circuit modified the injunction to avoid
19 First Amendment concerns. The court noted that the injunction,
20 as it was written, could have been read to proscribe truthful,
21 as well as deceptive, speech. Id. The court, therefore,
22 narrowed the injunction to assure its limitation to
23 representations specifically "found to be false and deceptive in
24 this proceeding" by the district court. Id. at 1042-1043.
25 Similarly, in Castrol v. Pennzoil Co., 987 F.2d 939 (3d Cir.
26 1993), the court upheld a permanent injunction prohibiting
27 publication of false commercial speech. The statements that
28

1 were enjoined, however, were the specific statements "which the
2 court found to be literally false." Id. at 949.

3 Both U-Haul Int'l and Castrol indicate that although false
4 commercial speech may be enjoined, any such injunction must be
5 limited to those statements likely to be in violation of the
6 Lanham Act. Plaintiff here seeks a broad injunction against
7 "defamatory, untrue, or misleading" statements. Such an
8 injunction is overbroad because it would reach more than the
9 specific statements claimed to be in violation of the Lanham
10 Act. See Castrol, 987 F.2d at 949. Consequently, the Court
11 will not extend the temporary restraining order prohibiting the
12 publication of "any statement concerning Plaintiff J.K Harris
13 that is false or defamatory and that is known, or by the
14 exercise of reasonable care should be known, to be false or
15 defamatory."

16 Notwithstanding the broad language of Plaintiff's
17 application for injunctive relief, it identifies specific
18 statements previously published on Defendants' web site that
19 Plaintiff contends are false, as follows:

- 20 a) "The [J.K. Harris] sales force is not trained for
21 the job of helping clear up the IRS debt, but to
sell the client on peace of mind"
- 22 b) "[O]nce most clients are on board at J.K. Harris
23 they are simply ignored"
- 24 c) "The taxpayer was being mislead as to what could
be accomplished and in what time frame."
- 25 d) "I retained the services of J.K. Harris & Co to
26 represent me before the IRS and nothing has been
done. Meanwhile the problems continue."
- 27 e) "The JK Harris Co. . . . scammed us with no

- 1 results and no refund after initial retainer."
- 2 f) "The [J.K. Harris] co. is fraudulent and a scam
3 and needs to be uncovered. They are worthless."
- 4 g) "The sales force is largely high pressure salesmen
5 whose only job is to get your name on a contract
6 and pick up a check."
- 7 h) "It is highly unlikely that you will speak with a
8 licensed tax pro . . . until long after you have
9 paid JK Harris."
- 10 i) "I have spoken to hundreds of current and former
11 JK Harris clients who have never even spoken with
12 a licensed tax pro despite having paid thousands
13 of dollars."
- 14 j) "John Klintworth Harris was a CPA licensed in both
15 North Carolina and South Carolina. After being
16 faced with disciplinary proceedings he opted to
17 turn in his licenses to practice in both states,
18 perhaps sensing they would take them away if he
19 didn't act first."
- 20 k) "Do you want to work with a company run by a man
21 who can't even keep his CPA licenses????"
- 22 l) "I have spoken to numerous tax professionals all
23 of whom have said it is extremely rare for any CPA
24 to ever turn in his/her license. All stated that
25 the only reason a CPA would ever do that is to
26 avoid having the license taken away
27 involuntarily."
- 28 m) "If you are a current client of JK Harris . . .
[y]ou are in for a long wait and nothing getting
done with your case."
- n) "They [J.K. Harris] have to farm out their tax
returns because they don't have the man power to
process what they already have."
- o) "There are consultants working for that company
right now that will sell you an [Offer In
Compromise] whether you qualify or not."

Each of these representations may be susceptible to being
found "literally false, either on its face or by necessary
implication, or . . . literally true but likely to mislead or

1 confuse consumers." Southland Sod Farms, 108 F.3d at 1139.
2 Each of these statements, therefore, may be actionable under the
3 Lanham Act. Plaintiff has submitted a declaration sworn under
4 penalty of perjury that these statements are, in fact, false.
5 In response, Defendant Kassel has submitted a declaration
6 stating that the information "I myself gathered . . . is
7 publically available and factually correct." Declaration of
8 Steven H. Kassel (Kassel Dec.), ¶ 2. As to the remainder of the
9 information about Plaintiff on Defendants' web site, Kassel
10 declares only that he is "informed by the persons submitting
11 this information that it is factually true." Id.

12 The Court will not enjoin those statements Defendant Kassel
13 has declared, based on personal knowledge, to be factually
14 accurate. Plaintiff cannot show a likelihood of success in
15 proving that these statements are proscribed by the Lanham Act
16 because the declarations from the parties are of equal weight
17 and directly contradictory. Plaintiff has shown a serious
18 question going to the merits of whether Defendants have violated
19 section 43 of the Lanham Act by publishing false representations
20 of fact misleading to the public. However, because enjoining
21 these statements prior to an adjudication of their truth or
22 falsity would suppress arguably protected speech, the Court
23 concludes that the balance of hardships does not tip decidedly
24 in Plaintiff's favor.⁷

25
26 ⁷Statements g), h), i), j), k), and l) above were posted by
27 Defendants. Defendant Kassel cannot have personal knowledge of
28 (continued...)

1 Those statements that Plaintiff has declared to be false
2 that were submitted to Defendants by third parties are enjoined.⁸
3 The only evidence in the record indicates that these statements
4 are false and misleading and prohibited by the Lanham Act.
5 These statements, moreover, are harmful to the business
6 reputation and good will of Plaintiff. Plaintiff has shown both
7 a serious question as to whether these statements are false and
8 that the balance of hardships tips in its favor. Because
9 Defendants have submitted no admissible evidence that these
10 statements are true or, for some other reason, constitutionally
11 protected, they suffer no hardship in having these statements
12 enjoined.

13 Therefore, Plaintiff is entitled to an injunction
14 prohibiting the dissemination of all of the statements listed
15 above with the exception of statements g), h), j) and k).⁹

16 _____
17 ⁷(...continued)
18 the truth or falsity of statements i) and l) because the truth
19 or falsity of those statements depends on whether the "numerous
20 tax professionals" and "hundreds of current and former JK Harris
21 clients" with whom Defendant Kassel allegedly spoke were
truthful. Therefore, Defendant Kassel's declaration is
sufficient to rebut the alleged falsity of statements g), h),
j), and k). Those four statements are not enjoined at this
time.

22 ⁸Statements a) through f), m), n) and o) were submitted by
23 third parties. There is no admissible evidence that these
statements are true. These statements are therefore enjoined.

24 ⁹Plaintiff's request for injunctive relief pursuant to
25 California's prohibition on false and misleading advertising is
26 duplicative of its request under section 43 of the Lanham Act.
Under Cal. Bus. & Prof. Code § 17500, Plaintiff is entitled to
27 the same relief enjoining specific allegedly false and
misleading statements to which it is entitled under the Lanham
(continued...)

1 B. California Statutory Claims

2 Plaintiff's causes of action under California Business and
3 Professions Code sections 17200 and 17500 largely restate its
4 claims under the Lanham Act. Plaintiff contends that Defendants
5 have engaged in "unfair" business practices within the meaning
6 of
7 § 17200 because they purposely constructed their web site to
8 create "initial interest confusion" and because Defendant Kassel
9 has used his editorial position at Internet directories to
10 promote Defendants' business and interfere with Plaintiff's
11 business.

12 The first contention has been addressed above. The second
13 contention is unpersuasive. Plaintiff has submitted a
14 declaration that states that Defendant Kassel is one of
15 "numerous volunteer editors who rank and decide which web sites
16 are useful resources for the web public." Spencer Dec., ¶ 6.
17 Plaintiff contends that this position imposes a duty on
18 Defendant Kassel to edit submissions to the ODP in an impartial
19 manner. Plaintiff further contends that Defendant Kassel
20 breached this duty by failing to move Plaintiff's tax
21 representation service to the proper category after Plaintiff
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24

25 ⁹(...continued)

26 Act. Similarly, Plaintiff also alleges that several of the
27 statements detailed above are defamatory. Plaintiff's request
28 to enjoin defamatory statements by Defendants is also rendered
moot by the Court's holding on the Lanham Act claim.

1 had failed to submit it properly.¹⁰ Plaintiff's declaration
2 asserts that this conduct has resulted in "completely
3 eliminating J.K. Harris' web site from the Tax Negotiation and
4 Representation and Tax Preparation directories." Id.

5 Plaintiff's allegation that Defendant Kassel has misused
6 his editorial position does not justify injunctive relief.
7 Plaintiff has failed to submit sufficient evidence to create a
8 serious question concerning Defendant Kassel's alleged breach of
9 his alleged duty as an ODP editor. Nor has Plaintiff shown how
10 the alleged breach damaged Plaintiff. Plaintiff has submitted
11 no evidence substantiating its claim of "complete elimination"
12 from the appropriate directories.

13 CONCLUSION

14 For the foregoing reasons, the temporary restraining order
15 issued by this Court on February 6, 2002 is vacated.
16 Plaintiff's application for a preliminary injunction is granted
17 in part and denied in part.

18 It is ORDERED that, pursuant to the Lanham Act § 43, 15
19 U.S.C. § 1125(a), Defendants, and their agents, servants,
20 employees, successors and assigns, and all other persons acting
21 in concert with or in conspiracy with or affiliated with
22 Defendants, are enjoined and restrained from using on or in
23 Defendants' web site (www.taxes.com) or making, disseminating,
24 or causing to be made or disseminated to the public, through

25
26 ¹⁰Plaintiff also contends that Defendant Kassel breached his
27 alleged duty as an ODP editor by adding news articles critical
28 of Plaintiff to the Tax Negotiation and Representation category.
This accusation is unsubstantiated.

1 Defendants' web site, or in any newspaper, other publication, or
2 advertising device, by public outcry or proclamation, or in any
3 other manner whatever, the allegedly false statements listed on
4 pages seventeen and eighteen of this Order, with the exception
5 of statements g), h), j) and k).

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Dated: 3/28/03

/s/ CLAUDIA WILKEN

CLAUDIA WILKEN
United States District Judge