

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF KENTUCKY
CENTRAL DIVISION AT LEXINGTON
CASE NO. 5:10-CV-123-KSF

FORTUNE HI-TECH MARKETING, INC.

PLAINTIFF

v.

MEMORANDUM IN SUPPORT OF
MOTION FOR PRELIMINARY INJUNCTION

JOSEPH M. ISAACS, et al.,

DEFENDANT

Plaintiff, Fortune Hi-Tech Marketing, Inc. (“Fortune”), submits this memorandum in support of its Motion for Preliminary Injunction against Joseph M. Isaacs (“Isaacs”) and Fortune Social, LLC (“FS”) (collectively, “Defendants”).

I.
FACTS

Fortune is a direct sales company that markets products and services to end user consumers through Independent Representatives (“IRs”).¹ Fortune has adopted the multi-level marketing (“MLM”) business model to accomplish this goal.² MLM businesses do not adopt the conventional advertising and retail sale methods of many larger stores; instead, they follow the business model of direct selling, through the IRs, to individual customers.³

Fortune offers a variety of products and services, including (but not limited to) satellite television service through Dish Network; internet access through UUNET; cellular phone service and equipment provided by, *inter alia*, Alltel, AT&T, Nextel, Sprint, T-Mobile and Verizon Wireless; long distance phone service through Power Net Global; voice messaging services; travel services; and nutritional products through True Essentials.⁴

¹ See Affidavit of Tom Mills, a copy of which is attached as Exhibit A, at ¶ 2.

² *Id.*

³ *Id.*

⁴ Exhibit A, ¶ 3.

The officers of Fortune are individuals who have worked in the MLM business for many years and are well-known in the industry.⁵ IRs in Fortune's business, as well as other MLM companies, interact regularly through trade shows and company presentations, and they have access to publications that provide regular updates regarding the industry.⁶

Isaacs is a former IR who was terminated after he refused to cease using Fortune's trademarks and trade names on the website www.fortunesocial.com, which appears to be owned by and operated through FS.⁷ The original intent of www.fortunesocial.com was to promote Defendants' networking seminars, online web-meeting products and other services and products.⁸ Defendants promoted their products and services by, *inter alia*, using Fortune's trademarks and tradename to lure IRs and consumers to their websites.⁹ After Fortune requested that Isaacs cease and desist improperly using Fortune's marks and tradename, Isaacs only responded by offering to sell www.fortunesocial.com to Fortune for \$2.5 million.¹⁰ When Fortune refused this offer (at least in part because Fortune would be effectively purchasing its own marks and tradenames from Defendants, who had no right to use them), Isaacs responded by filing a complaint with the Lexington, Kentucky, Better Business Bureau that contained numerous false statements.¹¹ It was at this time that Fortune terminated Isaacs as an IR.¹²

After Isaacs was terminated, Defendants began using www.fortunesocial.com and other venues to defame and disparage Fortune.¹³ Defendants have continued to use Fortune's

⁵ Exhibit A, ¶ 4.

⁶ *Id.*

⁷ Exhibit A, ¶¶ 5, 8.

⁸ Exhibit A, ¶ 6.

⁹ *Id.*

¹⁰ Exhibit A, ¶ 7.

¹¹ Exhibit A, ¶¶ 7, 8.

¹² Exhibit A, ¶ 8.

¹³ *Id.*

trademarks and tradename.¹⁴ In addition to false and defamatory statements made on www.fortunesocial.com, Defendants have distributed false and misleading documents that purport to be state court pleadings and press releases.¹⁵ Defendants have sent these false documents to specific individuals and posted them on websites for public access.¹⁶ Further, Defendants have utilized the websites www.fortunewebinars.com and www.fhtmwebconnect.com for the same and similar purposes, including for the sale of their products and services.¹⁷

On April 7, 2010, Fortune filed this action. Because Defendants continue their unauthorized use of Fortune's marks and tradenames in their effort to damage Fortune's current and ongoing business interests, injunctive relief is necessary.

II. **ARGUMENT**

A. Standard of Review

The factors to be considered by a district court in ruling on a request for preliminary injunctive relief are: (1) whether the movant is likely to succeed on the merits; (2) whether the movant will suffer irreparable injury in the absence of an injunction; (3) whether the injunction will cause substantial harm to others; and (4) whether the injunction would serve the public interest. *See Washington v. Reno*, 35 F.3d 1093, 1099 (6th Cir. 1994). These are factors to be balanced, not prerequisites that must be met. *See id.* Even if a plaintiff fails to show a strong or substantial likelihood of success on the merits, a court may grant injunctive relief where the plaintiff "at least shows serious questions going to the merits and irreparable harm which decidedly outweighs any potential harm to the defendant if an injunction is issued." *Friendship*

¹⁴ Exhibit A, ¶ 9.

¹⁵ *See* Affidavit of Jason T. Ams, a copy of which is attached as Exhibit B, at ¶¶ 3-9.

¹⁶ *Id.*

¹⁷ Exhibit A, ¶ 8,9; Exhibit B, ¶ 2.

Materials, Inc. v. Mich. Brick. Inc., 679 F.2d 100, 105 (6th Cir. 1982). “In general, the likelihood of success that need be shown (for a preliminary injunction) will vary inversely with the degree of injury the plaintiff will suffer absent an injunction.” *Metropolitan Detroit Plumbing & Mechanical Contractors Assoc. v. H.E.W.*, 418 F. Supp. 585, 586 (E.D. Mich. 1976). Stated slightly differently, “[w]here the three factors other than likelihood of success all strongly favor issuing the injunction, a district court is within its discretion in issuing a preliminary injunction if the merits present a sufficiently serious question to justify a further investigation.” *Little Caesar Enters., Inc. v. R-J-L Foods, Inc.*, 796 F. Supp. 1026, 1030 (E.D. Mich. 1992), citing *In re DeLorean Motor Co.*, 755 F.2d 1223, 1230 (6th Cir. 1985).

In this instance, all four factors strongly favor the granting of the requested preliminary injunction. First, as described below, Fortune has a strong likelihood of success on the merits of its claims. Indeed, the strength of Fortune’s claims is apparent through even a cursory review of Defendants’ websites. Second, Defendants’ ongoing use of Fortune’s own trademarks and trade names significantly impacts Fortune’s business, relationships and credibility in the public on a nationwide scale. Unquestionably, it is Defendants’ intention to harm Fortune’s business as much as possible. Third, Defendants’ actions hurt more than Fortune – by using Fortune’s own marks to interfere with Fortune’s business, Defendants’ actions also damage the business activities of both the IRs and the entities whose products and services are sold by those same IRs. Finally, this injunction would serve the public interest by preventing the unfair and intentional misuse of Fortune’s marks by Defendants in an effort to damage the business and reputation of Fortune and its IRs.

B. Fortune Has a Substantial Likelihood of Success on the Merits of Its Claims Against Defendants.

1. Misappropriation of Mark, Reputation and Name

Whether Fortune's claims regarding trademark infringement arise under federal statutory law or common law, Fortune has a substantial likelihood of success on the merits of those claims. "For purposes of both federal and common law trademark claims, 'a trademark is a designation used "to identify and distinguish" the goods of a person.'" *Just Enterprises, Inc. v. Nureberg Paris Heller & McCarthy Co., LPA*, No. 1:07-CV-1544, 2008 WL 2048167 at *2 (N.D. Ohio May 12, 2008), citing *J. Thomas McCarthy on Trademarks*, § 3.1 (4th ed. 2004). Fortune has been in business since 2000 and has used the mark, "Fortune Hi-Tech Marketing" since that time. Shortly thereafter, Fortune also began using the mark "FHTM," examples of which are collectively attached as Exhibit C to this Memorandum.

Whether a claim for trademark infringement is alleged under the federal Lanham Act (11 U.S.C. § 1051 *et seq.*) or the common law, the analysis is the same: Defendants should be held liable if there is a likelihood of confusion between Defendants' marks and Fortune's marks. *See e.g., Hensley Mfg. v. ProPride, Inc.*, 579 F.3d 603, 609 fn 5 (6th Cir. 2009). The same analysis applies to claims of unfair competition and false designation of origin under the Lanham Act. *Audi AG and Volkswagon of America, Inc. v. D'Amato*, 469 F.3d 534, 542 (6th Cir. 2006).

The Sixth Circuit has held that, when determining whether there is a likelihood of confusion, courts should consider the following eight factors: (1) strength of plaintiff's mark; (2) relatedness of the goods; (3) similarity of the marks; (4) evidence of actual confusion; (5) marketing of channels; (6) likely degree of purchaser care; (7) defendant's intent in selecting the mark; and (8) likelihood of expansion of the product lines. *Wynn Oil Co.*, 839 F.2d 1186-90, citing *Frisch's Restaurants v. Elby's Big Boy, Inc.*, 670 F.2d 642 (6th Cir. 1982). These factors

are not requirements, but are merely intended to assist the Court in determining whether there is a likelihood of confusion based on the facts presented. “The ultimate question remains whether relevant consumers are likely to believe that the products or services offered by the parties are affiliated in some way.” *Daddy’s Junk Music Stores, Inc.*, 109 F.3d at 280, quoting *Homeowners Group, Inc. v. Home Mktg. Specialists, Inc.*, 931 F.2d 1100, 1104 (6th Cir. 1991).

In this instance, Defendants have intentionally used trademarks substantially similar to Fortune’s trademarks in an effort to draw individuals seeking information and business transactions with Fortune to Defendants’ products, services and websites. Defendants intentionally selected the domain name “www.fortunesocial.com” as part of this effort. Defendants also used and distributed certain trademarks, examples of which are collectively attached as Exhibit D to this Memorandum, to create confusion and cause individuals seeking Fortune’s products and services to instead interact with Defendants’ website. A comparison of Exhibits C and D demonstrate the similarities between the two sets of marks, and how likely confusion between the two is to occur.

The confusion created by Defendants’ use of the “Fortune Social” name, URL and corresponding marks is obvious from postings on the Defendants’ website. For example, one Fortune IR thanked Defendants for generating the website as a tool for assisting the IRs in their Fortune business activities. (See Exhibit E attached to this Memorandum). Fortune has previously provided personal web pages for the IRs, and currently provides online marketing tools and other marketing aids through the internet and other formats. Further, although certain individuals have posted comments on the Fortune Social website addressing the true nature of Defendants’ use of the marks, those comments have been removed from the website and appear to be no longer accessible. (See Exhibit F attached to this Memorandum.) As Defendants

control the content accessible on the website, removal and/or rendering inaccessible those comments only furthers and maintains the intentional confusion created by Defendants and their use of the marks.

Defendants have also utilized Fortune's marks outside of the Fortune Social website. For example, Defendants have promoted their "FHTM Webconnect®" system that operates as "personalized offices that Fortune Hi-Tech Marketing representatives can use for private multi-user meetings with up to 500 attendees simultaneously." (See Exhibit G attached to this Memorandum.) Defendants intentionally utilized Fortune's marks to confuse the identity of their offered products and profit from Fortune's reputation and goodwill. This confusion is furthered by Defendants' avoidance of declaring themselves independent of Fortune, only noting that the FHTM Webconnect product is affiliated with FS.

As stated above, Defendants changed their tune after Fortune requested that Defendants cease and desist their use of Fortune's marks. Although Defendants have now begun using Fortune's marks to attack Fortune's reputation and business dealings, they have not removed some or all of the prior misuses of Fortune's marks as described above. For example, the URL "www.FHTMwebconnect.com" transports an internet user to the "Fortune Webinars" portion of the Fortune Social website. The URL "www.fortunewebinars.com" operates the same way.

The strength of Fortune's marks are strong, as Fortune has continuously used its marks for up to 10 years in a variety of formats, including on internet websites. The strength of a mark is relevant because it provides some measure for determining the extent of possible confusion. Generally, "[t]he stronger the mark, all else being equal, the greater the likelihood of confusion." *Homeowners Group, Inc.*, 931 F.2d at 110. Courts often determine the strength of trademarks by characterizing them as falling into one of several categories: (1) arbitrary and fanciful; (2)

suggestive; (3) descriptive; and (4) generic. *See Burke-Parsons-Bowlby Corp. v. Appalachian Log Homes, Inc.*, 871 F.2d 590, 593 (6th Cir. 1989). Although generic and descriptive marks require the holders of those marks to demonstrate they have acquired “secondary meaning” for the marks to be protected, the same requirement does not extend to arbitrary, fanciful or suggestive marks. *See id.* at 594, citing *20th Century Wear, Inc. v. Sanmark-Stardust, Inc.*, 747 F.2d 81, 87 (2nd Cir. 1984). In this instance, “Fortune Hi-Tech Marketing” and “FHTM,” especially when coupled with the distinctive color, font and “world” logo of Fortune, are at least suggestive and not merely descriptive or generic. Thus, Fortune’s marks are protected without further need to show secondary meaning. Further, Fortune’s marks are relatively strong considering their suggestive nature.

Many of the remaining factors support a finding that there is a substantial likelihood of confusion. As stated above, Fortune also utilizes online seminars and internet communications similar to the products and services offered by Defendants, and there is evidence of actual confusion occurring between the two uses. Moreover, the obvious intent of Defendants is to create confusion and draw unsuspecting individuals to their products when those individuals search for Fortune. Thus, Defendants continue to misuse Fortune’s marks by intentionally creating confusion between Fortune and Defendants, and are liable for common law trademark infringement. For purposes of this Motion for Preliminary Injunction, the above demonstrates that Fortune is substantially likely to succeed on its claim, and at the very least has raised serious questions concerning the merits of its claim.

2. Unfair Competition

Fortune is also substantially likely to succeed on its claims of unfair competition against Defendants. 15 U.S.C. § 1125 of the Lanham Act states that anyone who engages in unfair competition may be held liable for such acts:

(1) Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading misrepresentation of fact, which –

(A) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services or commercial activities by another person, or

(B) in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person's goods, services, or commercial activities,

shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act.

15 U.S.C. § 1125(a)(1). The Lanham Act expressly provides for injunctive relief for claims arising under 11 U.S.C. § 1125. 11 U.S.C. § 1116.

As described above, Defendants have intentionally utilized Fortune's marks to attract those who seek out Fortune to Defendants' business. Defendants' initial use of Fortune's marks was to profit by selling "FHTM" branded services and products. Defendants have now changed their use of Fortune's mark to disparaging Fortune and intentionally attempting to harm Fortune's business. Not only is the same confusion created as described above regarding 11 U.S.C. § 1125(a)(1)(A), but the statements made by Defendants regarding Fortune's conduct of its business and the nature of Defendants' "FHTM"-branded offerings are clear misrepresentations of the "nature, characteristics [and] qualities..." as described under 11 U.S.C. § 1125(a)(1)(B). Thus, Fortune has demonstrated a substantial likelihood of success on its claim of unfair competition.

3. Anticybersquatting Consumer Protection Act

Under the Anticybersquatting Consumer Protection Act ("ACPA"), a person shall be liable in a civil action by the owner of a mark if, with a bad faith intent to profit from that mark,

that person registers, traffics in, or uses a domain name that is identical or confusingly similar to that mark after the mark becomes distinctive. *See* 15 U.S.C. § 1125(d)(1)(A). A trademark need not be registered to be entitled to protection under the ACPA. *DaimlerChrysler v. The Net Inc.*, 388 F.3d 201, 205 (6th Cir. 2004). The ACPA expressly authorizes forfeiture or cancellation of the domain name or transfer of the domain name to the owner of the mark. 15 U.S.C. § 1125(d)(1)(C).

Fortune registered www.fhtm.net in 2000 and began using its marks at that time. (A copy of the Whois Server information regarding www.fhtm.net is attached as Exhibit H.) Defendants' three websites (www.fortunesocial.com, www.fortunewebinars.com and www.fhtmwebconnect.com) were registered in October 2009. (Copies of Whois Server information regarding the websites is collective attached as Exhibit I.) Further, Fortune's marks are considered "distinctive" as they are "suggestive." *See e.g., Wal-Mart Stores, Inc. v. Samara Bros., Inc.*, 529 U.S. 205, 210-211 (2000). Thus, Defendants registered, trafficked in and used their domain names after Fortune's marks had become distinctive.

Further, Defendants have manifested a bad faith intent for the entire time www.fortunesocial.com, www.fortunewebinars.com and www.fhtmwebconnect.com have been operational. A bad faith intent to profit from a mark is evaluated by considering a list of non-exclusive factors including:

the person's intent to divert consumers from the mark owner's online location to a site accessible under the domain name that could harm the goodwill represented by the mark, either for commercial gain or with the intent to tarnish or disparage the mark, by creating a likelihood of confusion as to the source, sponsorship, affiliation, or endorsement of the site

15 U.S.C. § 1125(d)(1)(B)(i)(V). As described above, Defendants have used their substantially-similar marks for both improper commercial gain and with the intent to disparage Fortune and its marks, as well as to intentionally create confusion between Fortune's marks and Defendants'

own actions, websites, products and services. Defendants' utilization of www.fortunesocial.com, www.fhtmwebconnect.com and www.fortunewebinars.com are substantially similar in the same respects and are utilized by Defendants for the same reasons. Thus, Fortune has a substantial likelihood of success on those claims against Defendants.

Defendants' intent to "tarnish or disparage" Fortune's marks is clear, as they have published a litany of false statements and documents aimed at disparaging Fortune and causing current and future business partners to cease doing business with Fortune. For example, upon information and belief, Defendants created a false "complaint" and distributed it through electronic mail transmission to at least one source, and also published the "complaint" online. A copy of the "complaint" is attached as Exhibit J. An investigation revealed that the "complaint" takes much of its substance from a real complaint filed against an unrelated defendant in an unrelated case, and that Defendants combined sections from the real complaint to create the false impression that the California Attorney General's office was pursuing claims against Fortune. Upon information and belief, the sole purpose of the fake "complaint" was to damage Fortune's business reputation, cause current customers, IRs and affiliated companies to cease doing business with Fortune, and to damage Fortune's ability to do business in the future.

Defendants have also published malicious "press releases" designed to achieve the same goals as the fake "complaint." For instance, Defendants published a "press release" that made false representations, including that the Kentucky Attorney General had begun "its investigation into the illegal activities of Fortune Hi-Tech Marketing. Another dozen states are also looking into the fraudulent activities and business model of FHTM." A copy of the "press release" is attached as Exhibit K.

Defendants have also published numerous false and/or misleading statements on www.fortunesocial.com. For instance, in a blog entry entitled “FHTM Update,” Defendants make wildly false claims about Fortune’s business, an investigation by the Montana Attorney General and the impact such an investigation has on Fortune’s IRs. Although the Montana Attorney General has filed a cease and desist order and an investigation is ongoing, Montana is the only state in which there is an existing investigation to the best of Fortune’s knowledge.¹⁸ Defendants, however, have attempted to create the false impression that other states have done so by posting and distributing the false “complaint” attached as Exhibit J. It is clear that Plaintiffs are using Fortune’s marks, their websites and a pattern of misinformation, defamation and fraudulent behavior to attack Fortune’s business interests.

C. Fortune Will Suffer Irreparable Injury in the Absence of an Injunction

Defendants’ misuse of Fortune’s marks and tradenames, and Defendants’ false and defaming public campaign against Fortune in an effort to interfere with Fortune’s current and future business interests, remains ongoing. Defendants have thus far refused any request by Fortune to cease these improper activities. Further, as stated above, efforts by Fortune IRs to post information on www.fortunesocial.com that contradict Defendants’ false and defaming statements are being removed by Defendants so that the public cannot discover the truth of this situation. Without injunctive relief, Defendants’ actions will continue to infringe upon and misappropriate Fortune’s valid trademark and tradename interests,.

Further, as stated above, Defendants cannot offer any reason why they should be allowed to continue engaging in their unlawful activities. There is no serious dispute that Defendants are misusing Fortune’s marks and tradename notwithstanding Fortune’s demand that Plaintiffs

¹⁸ The Attorney General of North Dakota initiated a similar investigation. After discussions with the Attorney General’s office regarding the nature of its business, Fortune was permitted to resume its activities there.

cease. Further, Defendants can hardly argue their actions are not damaging Fortune's current and future business interests, as it is clear that Defendants intend their actions to do just that. Forcing Defendants to cease these actions and remove the marks and tradenames will only restore the status quo from before Defendants launched www.fortunesocial.com.

D. The Injunction Will Not Cause Substantial Harm to Others and Will Serve the Public Interest

No substantial harm will result from a preliminary injunction. First, if Defendants are prevented from misusing Fortune's marks and tradename, IRs and consumers will no longer be misled into believing that Defendants are affiliated with Fortune. Further, the prevention of Defendants' "bait and switch" of using Fortune's marks to lure IRs and the general public to their websites can only aid the public interest, as Defendants' primary use of their websites at this time is to spread patent falsehoods and misleading information upon which IRs and the public may incorrectly rely. Defendants can offer no valid harm that will occur to them or anyone else by the granting of the preliminary injunction, nor can they offer any reason why the public interest will not benefit from the same.

**III.
CONCLUSION**

As set forth above, Defendants' improper actions are malicious, unfounded and ongoing. Fortune has demonstrated a substantial likelihood of success on most of its claims, and there is no just reason for denying the requested injunctive relief. Defendants seek only to profit from their misuse of Fortune's marks and tradename, and they use the same to misleadingly promote their own products and spread untrue, defamatory information that harms Fortune and its business. Thus, Fortune's Motion for Preliminary Injunction should be granted.

Respectfully submitted,

/s/ Brian M. Johnson

Brian M. Johnson

Jason T. Ams

Greenebaum Doll & McDonald PLLC

300 West Vine Street, Suite 1100

Lexington, Kentucky 40507

COUNSEL FOR PLAINTIFF

CERTIFICATE OF SERVICE

I hereby certify that on this the 12th day of April, 2010, I served the foregoing by electronic mail to the following:

Joseph M. Isaacs
4274 Enfield Court #1600
Palm Harbor, Florida 34685
joe@fortunesocial.com

DEFENDANT AND AGENT
FOR SERVICE FOR FORTUNE
SOCIAL, LLC

/s/ Brian M. Johnson
COUNSEL FOR PLAINTIFF