

Recent Developments in Trademark Law Affecting the Internet

Introduction

This year saw a number of significant changes in trademark law in the ever-evolving sphere of the Internet. This paper discusses some of the latest major Internet related developments: domain name policing issues, remedies, keyword advertising and metatags, TTAB developments as affected by the Internet, and somewhat novel trademark litigation involving the credit-card company Visa.

The Whac-a-Mole¹ Game of Domain Name Policing

In the arcade game of Whac-A-Mole, the player uses a mallet to aim for the mechanized animal as it appears momentarily through a hole in the game's playing surface.² Usually before the player can connect with the mole, however, the mole disappears only to reappear moments later out of a new hole, and the player must act quickly to whack the mole in its new location before it disappears yet again. Such has been the experience of many a trademark owner when attempting to police its marks as they appear in domain names. Here we review how many interesting domain name issues have recently been addressed.

a. A Lingering Aftertaste?

Domain name tasting refers to the practice of registering a domain name, testing its traffic value, and if its registration cost would outweigh the projected profit value of the domain name by using it for a parking page, dropping the registration before the registrar's five-day grace period is up.³

In the last year, a few trademark owners brought claims for cybersquatting, trademark infringement, unfair competition, counterfeiting, and dilution against the largest known domain name tasters.⁴ These defendants were alleged to either be one entity or acting in collusion with one another for the purpose of tasting millions of domain names.⁵ The plaintiffs all filed similar complaints in the Southern District of Florida.⁶ The case brought by BMW resolved in March with a stipulated permanent injunction and payment by the defendants of an undisclosed amount.⁷ The two other cases are still pending.

¹ Professor Marc J. Randazza of The Legal Satyricon is credited with coming up with this apt analogy. <http://randazza.wordpress.com/category/domain-names/>.

² See Wikipedia entry for "Whac a Mole" found at <http://en.wikipedia.org/wiki/Whac-A-Mole>

³ See ICANN participation: Issues: Domain Name Tasting, found at <http://public.icann.org/issues/domain-name-tasting>.

⁴ *Dell Inc. et al. v. BelgiumDomainsLLC et al.*, 1:07-cv-22674-AJ (S.D. Fla. 2007); *Yahoo! Inc. v. BelgiumDomains, LLC et al.*, Case No. 1:07-cv-22678-AJ (S.D. Fla. filed October 10, 2007); *BMW of North Am., LLC et al. v. BelgiumDomains, LLC et al.*, Case No. 1:07-cv-23349-AJ (S.D. Fla. filed December 21, 2007).

⁵ *Id.*

⁶ *Id.*

⁷ See *BMW of North Am., LLC et al. v. BelgiumDomains, LLC et al.*, Case No. 1:07-cv-23349-AJ (S.D. Fla. March 6, 2008) (order closing case).

b. Domain Name Parking

There has been surprisingly little litigation over the proliferation of parking pages. Parking pages, also known as pay-per-click sites, monetized pages, sponsored-link sites, and link farms, appear for a couple of reasons. One reason is that the domain name registrant has enrolled the domain name in its own parking service or a third party's parking service (like Sedo) to gain revenue from the page. Another reason is that the registrar of the domain name posted the page when the domain name was registered, often without the domain name registrant's knowledge.⁸ It appears in this second scenario, the registrar earns all of the pay-per-click revenue on the site and does not share the revenue with the actual registrant.⁹ The links that appear on the site are often generated from the terms in the domain name. For example, a parking page that appears for the domain name aplecomputer.com displays the link titles, "computers," "laptop computer," "ipod case," and "aple" [sic]. Evidence that a domain name is used for a parking page is often used in proceedings under the Uniform Domain Name Dispute Resolution Policy ("UDRP") to demonstrate bad-faith use of the domain name.¹⁰

A major development regarding the legality of parking pages occurred this year when trademark owner Vulcan Golf sued Sedo, Google, and others on a number of theories, including traditional trademark infringement and violations of the Anti-Cybersquatting Consumer Protection Act ("ACPA"), for their revenue-generating roles in the parking process.¹¹ The defendants moved to dismiss, claiming that the complaint did not sufficiently allege: (1) "use" of the domain names within the meaning of the Lanham Act; or (2) that the defendants "registered, trafficked in, or used" the domain names within the meaning of the ACPA.¹² The court disagreed. It held that the complaint's allegations were sufficient to meet the "traffics in" element of the ACPA.¹³ On the Lanham Act issue, the court said that the allegations "that Sedo and the other Parking Defendants transacted in and improperly profited from domain names that are deceptively similar to the plaintiffs' trademarks" were sufficient to allege use.¹⁴

So far, mark owners have not seen a significant response by parking page providers, including registrars. It will be interesting to watch how the *Vulcan Golf* case, and potentially others, will affect the parking debate moving forward.

⁸ *E.g.*, this appears to be Go Daddy's practice.

http://www.godaddy.com/gdshop/legal_agreements/show_doc.asp?pageid=PARK%5FSA

⁹ Many registrars' terms and conditions state that the registrar can earn money from an inactive domain name. *See, e.g.*, NameSecure Registration and Service Agreement at <http://www.namesecure.com/pages/namesecure-service-agreement.jhtml> ("You agree that ... we may direct your domain name to an IP address designated by us, including, without limitation, to an IP address which hosts a parking, under construction or other temporary page that may include promotions and advertisements for, and links to ... third-party Web sites, third-party product and service offerings")

¹⁰ *See, e.g., Enter. Rent-A-Car Co. v. Paul Disley*, Claim No. FA736453 (NAF August 4, 2006) (transferring domain name).

¹¹ *Vulcan Golf LLC v. Google Inc.*, Civil Action No. 07 CV 3371 (N.D. Ill. filed June 15, 2007).

¹² *Id.* (order on Motion to Dismiss).

¹³ *Id.*

¹⁴ *Id.*

c. Privacy Services Exposed

Privacy services also create special challenges for mark owners and their counsel by creating an additional hurdle in discovering the identity of cybersquatters. ICANN has addressed this issue, although thus far without resolution, and most recently, Congress has entered the debate.

i. No Answers Yet from ICANN

This year has seen continuing debate about the purpose of the WHOIS database. Currently, ICANN requires that every domain name registrant's information be publicly available on the WHOIS database.¹⁵ Privacy advocates, however, have argued against this requirement. They have proposed that WHOIS instead include just an Operational Point Of Contact ("OPOC") to serve as an intermediary between the public and the registrant.¹⁶ Advocates have proposed that this OPOC, who could be the registrar or some other corporate entity, would list its own contact details with WHOIS.¹⁷ Brand owners and the financial-services sector opposed the OPOC proposal, arguing that it would cloak cybersquatters, identity thieves, and other lawbreakers with an extra layer of anonymity.¹⁸ Last fall ICANN rejected the OPOC proposal, but invited further study.¹⁹

ii. The UDRP May Not Recognize Privacy Services

Some registrars have been offering "privacy services" to their domain name customers for some time.²⁰ Usually for an additional fee, a registrar will replace the registrant's identifying information on the WHOIS database with its own contact information.²¹ Some of these registrars will reveal their customers' identity when a trademark owner notifies it of an objection,²² others will not reveal any information unless the mark owner

¹⁵ ICANN's Registrar Accreditation Agreement § 3.3, found at <http://www.icann.org/registrars/ra-agreement-17may01.htm#3.3.1>

¹⁶ See *Summary of Public Comments received from 13 September through 30 October on Recent GNSO WHOIS Activities*, available at <http://gns0.icann.org/issues/whois-privacy/whois-comments-summary-30oct07.pdf>.

¹⁷ See *id.*

¹⁸ See *id.*

¹⁹ See *ICANN GNSO Council Report to the ICANN Board, Recent GNSO Policy Development Activities on WHOIS* (Nov. 15, 2007), available at <http://gns0.icann.org/issues/whois-privacy/gns0-council-report-board-whois-15nov07.pdf>.

²⁰ See *ICANN WHOIS Task Forces 123 Teleconference Transcription* (March 1, 2005), available at <http://gns0.icann.org/meetings/minutes-dow123tf-01mar05.shtml> (reflecting conversations of registrar representatives discussing their respective privacy services).

²¹ For example, Domains by Proxy offers this service; Domains by Proxy is the privacy service owned by the registrar GoDaddy.com. <http://domainsbyproxy.com/>

²² For example, at one time, eNom reported that it would reveal contact information when notified of a complaint. Martin Garthwaite, eNom lawyer, ICANN WHOIS Task Forces 123 Teleconference Transcription, 01 March 2005 <http://gns0.icann.org/meetings/minutes-dow123tf-01mar05.shtml>. Numerous UDRP decisions, however, reflect that eNom does not reveal its customers' identity even after a UDRP complaint is filed, see e.g. *Bank of Am. Corp. v. Whois Privacy Prot. Serv., Inc.*, Case No. FA1141937 (NAF March 25, 3008)

files a UDRP complaint,²³ and others continue through a UDRP proceeding without ever revealing their customers' identity.²⁴

In one such instance this spring, Baylor University brought a UDRP complaint against Domains by Proxy, GoDaddy's privacy service, for twelve domain names.²⁵ After Baylor served the complaint on Domains By Proxy, but before the proceeding was formally initiated by the National Arbitration Forum ("NAF"), GoDaddy changed the WHOIS records to list their individual customers for the domain names as the registrants and potentially requiring Baylor to refile multiple UDRP complaints. NAF, however, rejected GoDaddy's attempt to alter the WHOIS records after the complaint was filed. In its decision, the panel acknowledged that the current UDRP rules are not very well suited to accommodate privacy services as a Respondent, and found Domains by Proxy to be "the proper Respondent in this case since it was the Registrant named in the WHOIS registration information in relation to all of the disputed domain names when the Complaint was filed." *Baylor Univ. v. Domains by Proxy, Inc.*, Claim No. FA1145651 (NAF May 26, 2008). Finding that Baylor had met all three prongs of the UDRP as against Domains by Proxy, it ordered the transfer of all of the domain names.²⁶

iii. Congressional Action Has Been Proposed

Congress has entered the privacy debate as well. In February, U.S. Senator Olympia Snowe (along with Senators Bill Nelson and Ted Stevens) introduced S. 2661, the Anti-Phishing Consumer Protection Act of 2008.²⁷ In a bill summary sent out by Senator Snowe's staff, the Act prohibits:

the practice of phishing as well as related abuses, such as the practice of using fraudulent or misleading domain names, which are commonly used by phishers, by defining them as deceptive practices under the Federal Trade Commission Act. Additionally, the legislation seeks to solidify the integrity of domain name registration, a long-time goal for the Federal Trade Commission, by making it illegal for a domain name registrant to provide false or misleading identifying contact information in the WHOIS database when registering a domain name.²⁸

²³ *E.g.*, Domains by Proxy.

²⁴ *See, e.g.*, *Bank of Am. Corp. v. Whois Privacy Prot. Serv., Inc.*, Case No. FA1141937 (NAF March 25, 3008) (eNom's privacy service did not reveal its customers' name for the proceeding).

²⁵ *Baylor Univ. v. Domains by Proxy, Inc., et. al*, Claim No. FA1145651 (NAF May 26, 2008).

²⁶ Interestingly, Baylor's primary complaint against some of the domain names was that they were used for parking pages that displayed Baylor marks. Those parking pages were provided by the registrar, GoDaddy, which is Domain By Proxy's parent company.

²⁷ Anti-Phishing Consumer Protection Act of 2008, S. 2661, 110th Cong. (2008), available at http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=110_cong_bills&docid=f:s2661is.txt.pdf.

²⁸ Email sent from Matthew Hussey to several interested parties, Feb. 25, 2008, on file with the author.

The bill was referred to the Senate Committee on Commerce, Science, and Transportation in February, and no action has yet been taken.²⁹

The Remedies Round Up-- Creative Awards

This year saw some creativity from the courts in trademark infringement and ACPA violations awards. As Google is frequently named as a defendant in trademark litigation in the Internet context, it is interesting that some of these awards have involved Google and its services as part of the solution.

1. ***Punch Clock, Inc. v. Smart Software Dev.*, 2008 WL 936889 (S.D. Fla. April 7, 2008)**: Plaintiff Punch Clock owned federal registrations for the mark PUNCH CLOCK for a time clock and payroll computer software program, which it sold on its website www.punchclock.com. Defendant Smart Software Development (“SSD”) sold a similar product using the same mark on its website www.punch-clock.com. The plaintiff brought claims against the defendant for trademark infringement and violation of the ACPA, and moved for a default judgment. In granting the plaintiff’s motion for default judgment and discussing the appropriate measure of damages, the court reviewed evidence of the plaintiff’s lost Internet traffic as a result of SSD’s infringing use. The court found a corrective advertising approach to damages to be appropriate, and arrived at an amount by calculating the cost to Punch Clock to buy the top five search keywords for its PUNCH CLOCK product using Google’s AdWords program. The court explained that this award “will allow Plaintiff’s Web site to receive top billing on any Google searches using those search terms, above the listing for SSD’s Web site, which will help to correct the confusion in the marketplace.” The court found a time period of seven years to be appropriate “due to the fact that Defendant’s willful and blatant infringement...has been ongoing for at least that long.” Moreover, the court trebled the amount due to the defendant’s willful infringement, resulting in an award of over a million dollars. Further, the court awarded the maximum statutory damages under the ACPA for the defendant’s registration and use of the domain name punch-clock.com. Finally, the court held that the defendant’s bad faith and willful infringement merited an award of attorneys’ fees and costs.

2. ***Orion Bancorp, Inc. v. Orion Residential Fin., LLC*, Case No. 8:07-cv-1753-T-26MAP (M.D. Fla. 2008)**: The plaintiff was the owner of federal registrations for ORION formatives for banking and financial services. The defendant had offered financial and real estate services using the term ORION using various advertising methods, including a website at www.orionresidentialfinance.com. The plaintiff brought a claim for trademark infringement and violation of the ACPA. In its Final Order the court enjoined the defendant from purchasing any of the plaintiff’s marks as search engine keywords. Interestingly, the injunction included an unconventional mandate that

²⁹ See status of this bill at <http://thomas.loc.gov/cgi-bin/bdquery/D?d110:63:/temp/~bdxw3d:/bss/d110query.html>

if the defendant did advertise using keywords, the word ORION must be activated as a negative keyword.³⁰

The Remedies Round Up-- Statutory Damages under the ACPA

A number of remedies are available under the ACPA for a prevailing plaintiff. They include injunctive relief,³¹ transfer or cancellation of the domain name at issue,³² the defendant's profits, the plaintiff's actual damages, costs of the action,³³ statutory damages of \$1,000 to \$100,000 per domain name instead of the plaintiff's actual damages or the defendant's profits,³⁴ and attorneys' fees in "exceptional cases."³⁵ Moreover, a court has the discretion to treble an award of actual damages.³⁶ Finally, a court may increase or decrease an award based on the plaintiff's profits as it deems just.³⁷ As detailed below, over the last few years courts have awarded the maximum statutory damages allowed by the ACPA when the defendant acted willfully and in bad faith. Moreover, courts have explained that statutory damages under the ACPA are not only intended to compensate the mark owner, but they are available for their deterrent value as well.

1. ***Lahoti v. Vericheck, Inc.*, 2007 WL 4269791 (W.D. Wash. Dec. 3, 2007):** The defendant filed a UDRP complaint against the plaintiff and won. In response, the plaintiff filed an action to cancel the UDRP panelist's order, and for declaratory judgment that he did not violate the ACPA or infringe the defendant's marks. The defendant counterclaimed for ACPA and Lanham Act violations, among other things. After a bench trial, the judge found that the maximum statutory damages were appropriate as a result of the plaintiff's "bad faith and his deliberate and knowing acts, his pattern and practice of registering domain names that incorporate the trademarks of others, his efforts to extort thousands of dollars in exchange for transfer of the Domain Name, his disregard for the submission of inaccurate answers to interrogatories, and the actual confusion which is occurring in the marketplace as a result of [his] use of the Domain name in connection with a commercial website" The court also found the case to be exceptional and awarded attorneys' fees.

2. ***Biocryst Pharms, Inc. v. Namecheap.com*, No. CV 05-7615 JFW (C.D. Cal. Nov. 21, 2006):** The plaintiff brought claims for cybersquatting, false designation of origin, trademark infringement, and dilution, among others, against the registrant of three domain names consisting of slight variations of the plaintiff's marks. The court, exercising jurisdiction based on the location of the registrar, granted a permanent injunction against the domain name registrant (who lived in the UK). The court found

³⁰ The court defined "negative keyword" as "a special kind of advertiser keyword matching option that allows an advertiser to prevent its advertisement from appearing when specific terms are part of a given user's internet search or search string." *Orion Bancorp*, Case No. 8:07-cv-1753-T-26MAP at p. 7.

³¹ 15 U.S.C. §1116(a).

³² 15 U.S.C. §1125(d)(1)(C).

³³ 15 U.S.C. §1117(a)(1)-(3).

³⁴ 15 U.S.C. §1117(d).

³⁵ 15 U.S.C. §1117(a)(3).

³⁶ *Id.*

³⁷ *Id.*

that the defendant had acted in bad faith based on the fact that: (1) the defendant had registered two additional domain names after the plaintiff filed the complaint; (2) the defendant's actions were knowing and willful; and (3) the defendant had knowingly provided false contact information in connection with the domain name registrations. Thus, the court awarded the maximum statutory damages of \$100,000 per domain name. The court also awarded over \$70,000 in attorneys' fees and costs.

3. ***AI Mortg. Corp. v. AI Mortg. & Fin. Servs., LLC*, 82 U.S.P.Q.2d 1440 (W.D. Pa. 2006)**: The parties, which had similar corporate names, had entered a settlement agreement resulting from prior litigation in which the defendant agreed to use only the domain name *almortgagelc.com* for its business. The defendant, however, registered and began using the domain name *almortgage.com*. The plaintiff brought claims for ACPA violations and trademark infringement. The court held that the domain name was identical to the plaintiff's mark, that the defendant was not making a legitimate or fair use of the domain name in light of the parties' history, and that the defendant had a bad-faith intent to profit from the mark when it registered the domain name. The court awarded transfer of the domain name and statutory damages of \$50,000. In coming to this conclusion, the court acknowledged that the purpose of statutory damages is twofold—"it deters wrongful conduct and provides adequate remedies for trademark owners who seek to enforce their rights in court."

4. ***E & J Gallo Winery v. Spider Webs, Ltd.*, 286 F.3d 270 (5th Cir. 2002)**: The defendant registered a domain name incorporating the plaintiff's mark and redirected it to a website associated with alcohol risks. The plaintiff brought ACPA and state dilution claims. The court granted the plaintiff's motion for summary judgment as to both claims. In awarding statutory damages on the lower end of the range, the court took the position that, although the defendant had acted in bad faith, he could have used the domain name in an even more egregious manner (such as for website selling poor quality wine); the court awarded statutory damages of \$25,000 for the single domain name. The defendant argued that the \$25,000 award was too high, claiming that the plaintiff did not suffer any actual injury. In affirming the decision, the Fifth Circuit noted that statutory damages under the ACPA are not only available to compensate the mark owner, but can be employed to deter wrongful conduct.

5. ***Elecs. Boutique Holdings Corp. v. Zuccarini*, 56 U.S.P.Q.2d 1705 (E.D. Pa. 2000), aff'd, 33 Fed. Appx. 647 (3d Cir. 2002)**: The defendant registered five domain names that were slight misspellings of the plaintiff's domain names and trademarks. The plaintiff brought claims for ACPA violations as well as trademark infringement and dilution, and moved for a permanent injunction. The court granted the plaintiff's motion and awarded the maximum statutory damages of \$100,000 per domain name. The court found that the defendant had acted in bad faith based on: (1) the defendant's history of cybersquatting, which included the disregard of a preliminary injunction that was ordered against him in a separate action; (2) his disrespect towards the court by failing to accept service of process, respond to the pleadings, or appear at hearings; and (3) the fact that the defendant's cybersquatting activities resulted in an income between \$800,000 to

\$1,000,000 per year. In addition to the maximum statutory damages of \$100,000 per domain name, the court granted the plaintiff's request for attorneys' fees and costs.

6. ***Louis Vuitton Malletier & Oakley, Inc. v. Veit*, 211 F. Supp. 2d 567 (E.D. Pa. 2002)**: The plaintiffs sued the defendant for its sale of counterfeit goods as well as its registration and use of domain names that incorporated plaintiffs' marks. Along with a damage award for counterfeiting, the court awarded the maximum \$100,000 per domain name, finding that the defendant's registration of infringing domain names to sell counterfeit goods was egregious. It also awarded attorneys' fees and costs.

Keyword Advertising

The Courts Are Locked Over Keyword Advertising

The schism among the circuits continues to deepen over the keyword advertising debate. Keyword advertising refers to the purchase of a term by an advertiser from a search engine such as Google or Yahoo!, which enables the advertiser's ad to be displayed when a search engine user enters that term as a query. The debate over keyword advertising most commonly arises when a mark owner's competitor purchases the trademark owner's mark as a keyword term, such that the competitor's advertisement is displayed when the mark is entered as a search term by an Internet user. Google's stated policy in the U.S. is that it will remove sponsored advertisements that use a competitor's mark in the ad text or title itself; however, it will not act in response to complaints about purchase of marks as keywords because, among other reasons, the marks are not visible to Internet users.³⁸ Furthermore, Google will not police the URL listed in the ad itself, unless the URL says it is one thing but redirects to another (e.g., the ad URL says, www.dell.com but when the user clicks on the URL, he or she is taken to www.notdell.com).

Generally, courts in the Second Circuit hold that the purchase and sale of another's trademark as a keyword is not trademark use under the Lanham Act, largely following the Second Circuit's *1-800 Contacts* case.³⁹ However, more and more courts outside of the Second Circuit have held that the purchase and sale of marks as keywords does or may constitute trademark use.⁴⁰ Mark owners have brought these types of cases against the search engines that sold the marks as keywords as well as the advertisers that purchased them. Here we discuss the recent cases addressing the issue of keyword advertising that reflect this expanding rift.

a. District courts in the Second Circuit continue to hold that purchase or sale of a keyword is not use in commerce

³⁸ See Google's policy at http://www.google.com/tm_complaint_adwords.html; see also Linda Rosencrance: *Google faults Utah law restricting keyword advertising*, available at <http://computerworld.com/action/article.do?> (reflecting Google's position on the debate).

³⁹ *1-800 Contacts, Inc. v. WhenU.com, Inc.*, 414 F.3d 400 (2d Cir. 2005).

⁴⁰ See, e.g., *Rescuecom Corp. v. Computer Troubleshooters USA, Inc.*, 464 F. Supp. 2d 1263 (N.D. Ga. 2005).

1. ***Site Pro-1 Inc. v. Better Metal LLC* 506 F. Supp. 2d 123 (E.D.N.Y. May 9, 2007)**: This court followed the *Merck, Rescuecom* and *1-800 Contacts* cases⁴¹ in finding that purchase of a competitor's keyword from a search engine was not use within the meaning of the Lanham Act; the court dismissed the case. In so doing, the court also rejected the plaintiff's "initial source confusion" argument that the Ninth Circuit recognized in *Brookfield Communications*.⁴²

2. ***FragranceNet.com, Inc. v. FragranceX.com, Inc.*, 493 F. Supp. 2d 545 (E.D.N.Y. 2007)**: The plaintiff sought leave to amend its complaint to add a claim for trademark infringement based on the defendant's alleged use of plaintiff's marks in keyword advertising. The court denied the motion as futile, holding that the claim would not survive a motion to dismiss because purchasing another's mark as a keyword was not "use" under the Lanham Act.

3. ***Hamzik v. Zale Corp.*, Case No. 3:06-cv-01300, 2007 WL 1174863 (N.D.N.Y. Apr. 19, 2007)**: The court agreed with its sister courts that simply purchasing another's trademark as a keyword from the search engine did not constitute use. However, the court distinguished the facts before it from other Second Circuit cases in holding that the plaintiff's allegations were sufficient to state a claim because the plaintiff's mark was in the text of the defendant's advertisement and visible to Internet users.

b. Courts outside of the Second Circuit continue to hold that purchase or sale of a keyword is or may be use in commerce

1. ***Google Inc. v. Am. Blind & Wallpaper Factory, Inc.*, 74 U.S.P.Q. 2d 1385 (N.D. Cal. 2007); U.S. Dist. LEXIS 32450 (N.D. Cal. 2007)**: Google brought a declaratory relief action against American Blind seeking a declaration that its sale of marks as keywords for its search engine did not infringe American Blind's marks. American Blind cross-claimed for primary and contributory trademark infringement and dilution, among other things. American Blind alleged that Google sold American Blind's marks to its competitors as keywords through Google's Adwords program. Acknowledging the uncertain state of the law, the court denied Google's motion to dismiss. Each party later filed summary judgment motions. In its order on these motions, the court relied on the *Playboy v. Netscape*⁴³ and *Brookfield Communications*⁴⁴ decisions to find that Google's sale of marks as keywords constituted use under the Lanham Act. The case ultimately settled, reportedly without any payment.⁴⁵

2. ***Rhino Sports, Inc. v. Sport Court, Inc.*, 2007 U.S. Dist. LEXIS 32970 (D. Ariz. May 2, 2007)**: The parties, which sold competitive athletic flooring products, had settled

⁴¹ *Merck & Co., Inc. v. Mediplan Health Consulting, Inc.*, 425 F. Supp. 2d 402 (S.D.N.Y. 2006); *Rescuecom Corp. v. Computer Troubleshooters USA, Inc.*, 464 F. Supp. 2d 1263 (N.D. Ga. 2005); *1-800 Contacts*, *supra* n.38.

⁴² *Brookfield Commc 'n Inc. v. W. Coast Entm't Corp.*, 174 F.3d 1036 (9th Cir. 1999).

⁴³ *Playboy Enters., Inc. v. Netscape Commc 'ns, Inc.*, 354 F.3d 1020 (9th Cir. 2004)

⁴⁴ *Supra*, n. 42.

⁴⁵ Eric Auchard: *Trademark plaintiff drops suit vs. Google over ads* (Sept. 4, 2007), available at <http://www.reuters.com/article/businessNews/idUSN0336124420070904>

a prior trademark infringement dispute in 2002. In that settlement agreement, Rhino Sports agreed to be enjoined from the use of Sport Court's SPORT COURT mark. Later Sport Court discovered that Rhino Sports' website appeared as a sponsored result using Google's search engine with a query of the term "sport court," and assumed that Rhino Sports had purchased the term as a keyword. Consequently, Sport Court moved for a contempt judgment based on Rhino Sports' violation of the injunction. In turn, Rhino Sports filed a motion to modify the injunction to allow it to purchase the mark SPORT COURT as a keyword, because Google had changed its policy since the parties' settlement agreement.⁴⁶ As to Sport Court's claims, Rhino Sports introduced evidence, corroborated by Google, that Rhino Sports had not purchased the keyword "Sport Court" but that Google's Adwords' "broad match"⁴⁷ feature caused the advertisement to display based on Rhino's purchase of the keywords "courts" and "basketball courts." Consequently, the court held that Rhino Sports had not violated the injunction. As to Rhino Sports' motion, the court noted the unsettled state of the law, and stated that Google's change in policy was only Google's "perception" of the law and had no bearing on the parties' prior agreement. It thus denied Rhino Sports' motion to modify the injunction.

3. ***Am. Airlines v. Google, No. 4:07-cv-00487 (N.D. Tex. Oct. 24, 2007)***: American Airlines filed a complaint last year against Google for its sale of American Airlines marks as keywords to advertisers. Relying on Second Circuit authority, Google moved to dismiss the complaint, asserting that its sale of trademarks as keywords for its search engine did not constitute "use." The district court denied Google's motion without discussion. The parties settled on confidential terms in July 2008.⁴⁸

4. ***Boston Duck Tours LP v. Super Duck Tours LLC, 527 F. Supp. 2d 205 (D. Mass., Dec. 5, 2007)***: The plaintiff brought a claim for trademark infringement, among other things, against the defendant, and the court preliminarily enjoined the defendant from advertising using the term "duck tours" in the Boston area. The defendant began using the name "Super Duck Excursions" and purchased the term "duck tours" as a keyword for its online advertising. The defendant brought a motion requesting the court to determine that this action was compliant with the injunction. The court addressed (1) whether this transaction violated the Lanham Act and (2) whether it violated the injunction. The court stated that "[b]ecause sponsored linking necessarily entails the 'use' of the plaintiff's mark as part of a mechanism of advertising, it is 'use' for Lanham Act purposes." The court went on to decide that, because "the content of the advertisement at issue serves to distinguish the defendant from the plaintiff, this Court finds that consumer

⁴⁶ Before April 2004, Google was apparently responsive to mark owners' requests to bar third parties from bidding on their marks as keywords, but then changed its policy to the current one for U.S. and Canadian (and most recently, the UK and Ireland) advertisers. See *Rhino Sports, Inc.*, 2007 U.S. Dist. LEXIS at *6.

⁴⁷ For a definition of "broad match," see

<http://adwords.google.com/support/bin/answer.py?hl=en&answer=6100> (last visited August 13, 2008).

⁴⁸ Currently, if you enter "American Airlines" in the Google search bar (in the U.S., at least), only American Airlines' Sponsored Link appears. If you enter other American Airlines' marks, "AA" or "AAdvantage," for example, third-party ads appear. There could be a few reasons for this, including that Google agreed not to display any other advertisements based on the keyword "American Airlines." But that is pure speculation since the settlement terms are confidential.

confusion is likely diminished rather than increased” and held that the defendant did not violate the terms of the injunction.⁴⁹

In June the First Circuit reversed the district court’s initial grant of a preliminary injunction, finding that the district court committed clear error by finding the phrase “duck tours” was not generic, and thus had granted the mark too much weight in the likelihood-of-confusion analysis.⁵⁰

5. ***T.D.I. Int’l, Inc. v. Golf Pres., Inc.*, 208 U.S. Dist. LEXIS 7427 (E.D. Ky. Jan. 31, 2008)**: The plaintiff owned a federal registration for the mark XGD. The defendant, a competitor founded by a former employee of the plaintiff, purchased the XGD mark as a keyword to trigger its own advertisements. The plaintiff brought claims for trademark infringement and unfair competition, among others. Relying heavily on Second Circuit law, the defendant moved to dismiss, arguing that the purchase of a keyword did not constitute use in commerce. The court, acknowledging the “uncertain state of the law,” denied the motion, finding that the allegations were sufficiently “plausible” to state a claim.

6. ***Storus Corp. v. Aroa Mktg., Inc.*, 2008 U.S. Dist. LEXIS 11698 (N.D. Cal. Feb. 15, 2008)**: The plaintiff owned a federal registration for the mark SMART MONEY CLIP. The defendant Aroa sold a competitive product. Aroa purchased the phrase “smart money clip” as a keyword from Google so that its ad would appear when an Internet user typed in that term as a query in Google’s search engine. Not only did Aroa’s advertisement appear, the term “Smart Money Clip” appeared as the title and in the text of the ad. The plaintiff brought claims for trademark infringement against Aroa and another defendant. This decision addressed the plaintiff’s motion for partial summary judgment on its trademark infringement claims. The court applied the doctrine of initial interest confusion and held there was a likelihood of, as well as actual instances of, initial interest confusion. It went on to analyze the facts under the Ninth Circuit’s *Sleekcraft* factors⁵¹ and granted the plaintiff’s motion as to the defendant Aroa.

7. ***Designer Skin, LLC v. S & L Vitamins, Inc.*, 2008 WL 2116646 (D. Ariz. May 20, 2008)**: The plaintiff sold tanning skin care products and contracted with distributors to sell its products to specific tanning salons. The defendant, an online reseller, purchased the plaintiff’s products from those tanning salons and sold them online. To market its website, the defendant purchased the plaintiff’s marks as keywords from search engines, displayed images of the plaintiff’s products on the site, and included the plaintiff’s marks in its metatags. The plaintiff brought claims for infringement and dilution, among other things. The court granted the defendant’s motion for summary judgment for the trademark claim, stating that initial interest confusion “occurs when

⁴⁹ This decision is similar to the decision in *J.G. Wentworth, S.S.C. L.P. v. Settlement Funding, LLC*, 2007 U.S. Dist. Lexis 288 (E.D. Pa. Jan. 4, 2007), where the court held that although keyword advertising constituted use under the Lanham Act, where the resulting advertisement did not display the mark owner’s marks in the text or title, there was no likelihood of confusion.

⁵⁰ *Boston Duck Tours, LP v. Super Duck Tours, LLC*, 2008 WL 2444480 (1st Cir. June 18, 2008).

⁵¹ *AMF Inc. v. Sleekcraft Boats*, 599 F.2d 341 (9th Cir. 1979).

potential customers are lured away from a trademark holder's product to a competitor's product through the deceptive use of the holder's mark," whereas here, the defendant was actually selling the genuine products of the plaintiff. The court also granted the motion on the dilution claim, finding that the defendant's use was protected by the nominative fair use doctrine.

c. Recently filed cases

1. ***Rosetta Stone Ltd. v. Rocket Languages Ltd.*, Case No. 2:08-cv-04402-JFW-JTL (W.D. Cal. filed July 2, 2008)**: A new case in the Western District of California may test the limits of a comparative advertising or nominative fair use defense in the keyword debate. The plaintiff, a seller of foreign language software products, filed a complaint in the Western District of California in July against a number of competitors for their use of the ROSETTA STONE mark in keyword advertising. The complaint includes claims for infringement, dilution, unfair competition and false advertising, and contributory and vicarious infringement. An interesting twist in this complaint from others is the allegation that the defendants advertised websites that appeared to consist of unbiased surveys and reviews of language programs (e.g., www.topspanishreviews.com) with such link titles as, "Is Rosetta Stone A Scam?" and then promoted their own competitive products on the linked site. As courts within the Ninth Circuit have been kind to mark owners on keyword issues, Rosetta Stone appears to have chosen its forum wisely. The court will likely find that purchase of the mark as a keyword is use within the meaning of the Lanham Act. Whether the court finds the use to create a likelihood of initial interest confusion, however, will be a more interesting question.

2. ***Hearts On Fire, LLC v. Blue Nile, Inc.*, Case No. 08CA11053NG (D. Mass., filed June 20, 2008)**: The plaintiff owns federal registrations for the mark HEARTS ON FIRE for diamonds and gems. The defendant, a direct competitor, purchased the term HEARTS ON FIRE as a keyword from webcrawler.com, as well as in the resulting advertisement leading to the defendant's website. The text of the advertisement read, "Ideal Cut Diamonds at Blue Nile. Find hearts on fire diamonds at Forbes Favorite Online Jeweler. Sponsored by www.bluenile.com." The plaintiff brought claims for trademark infringement and unfair competition. Note that in *Boston Duck Tours*, discussed above, this same court found that the purchase of a trademark as a keyword is "use" within the meaning of the Lanham Act, but found that the resulting advertisement did not create a likelihood of confusion, as it served to "distinguish the defendant from the plaintiff." These facts, however, may be distinguishable, given that the defendant displays the plaintiff's mark in a different way in the text of its ads.

3. ***Nike, Inc. v. E. Mountain Sports, Inc.*, Case No. 3:2008cv00716 (D. Or. filed Jun 12, 2008)**: The plaintiff owns incontestable registrations for the mark DRI-FIT, and claims that the mark is famous. The complaint alleges that the defendant purchased the mark DRI-FIT as a keyword from one or more search engine providers, and that the term "Dri Fit" appears as the link title to the defendant's advertisement, leading to the defendant's website. The plaintiff alleges that these actions constitute trademark infringement, dilution, and unfair competition. As this case was brought in a court in the

Ninth Circuit, it will likely survive any motion to dismiss at least on the infringement claim.

Utah's Attempt to Combat Keyword Advertising Has Failed

Utah passed legislation last year to create a cause of action against search engines and advertisers for the purchase and sale of marks as keywords.⁵² The legislation, called "Utah's Trademark Protection Act," purported to create a new cause of action that would allow mark owners to bring claims against search engines like Google for selling trademarks as keywords as well as their advertising customers.⁵³ Implementation of the law was originally intended for April 30, 2007; however, after discussions as to whether the law would unduly burden interstate commerce, and protests by interested parties such as Google, Yahoo, Microsoft and AOL, Utah passed a revised version this spring that effectively repealed the law.⁵⁴

METATAGS- What Are They Good For? Probably Nothing.

The issue of trademarks in metatags has laid much of the groundwork for the more recent keyword advertising debate. Metatag cases, however, may soon disappear, because a recent decision announced that search engines no longer rely on metatags to create and rank search results (yet decisions issued only weeks before and after that decision assumed that metatags are still relevant in trademark debate).⁵⁵

1. ***N. Am. Med. Corp. v. Axiom N. Worldwide Inc.*, 86 U.S.P.Q.2d 1462 (11th Cir. April 7, 2008):** Axiom used the plaintiff's registered trademarks, ACCU-SPINA and IDD THERAPY as metatags for its website. The plaintiff alleged that this caused Axiom's website to appear as the second most relevant search result when an Internet user entered those terms as queries with Google's search engine. Moreover, the marks appeared in the text of the description for Axiom's website in the Google search results, although they did not appear on Axiom's actual site. The district court granted a preliminary injunction in favor of the plaintiff. On appeal, the Eleventh Circuit rejected Axiom's plea to adopt the Second Circuit's view of "use," and found that, since the marks were actually displayed to Internet users in the description of Axiom's website, the district court did not clearly err in determining that the plaintiff had a substantial likelihood of success on the merits on the likelihood of confusion element. Thus, the Eleventh Circuit affirmed the district court's decision. As discussed above, the defendant argued that there was no evidence that metatag content influenced search engine results. The court disagreed, stating that since the plaintiff's marks only appeared in the metatags of the defendant's website and nowhere else, the district court's finding of a causal relationship was not clearly erroneous.

⁵² UTAH CODE ANN. § 70-3a-101 *et seq.* (as amended April 20, 2007).

⁵³ *Id.*

⁵⁴ UTAH CODE ANN. § 70-3a-101 *et seq.* (as amended March 17, 2008).

⁵⁵ *North Am. Med. Corp. v. Axiom Worldwide Inc.*, 86 U.S.P.Q.2d 1462 (11th Cir. April 7, 2008).

2. ***Standard Process, Inc. v. Banks*, 2008 WL 1805374 (E.D. Wis. April 18, 2008):**

This decision was issued a couple of weeks after the *American Medical Corp. v. Axiom* decision. The plaintiff sold nutritional supplements by contract with exclusive pre-approved sellers. The plaintiff initially approved the defendant, a chiropractor, as a vendor, but later terminated his license when it discovered he was selling its products on his website. Regardless, the defendant continued to sell the products online, and used the plaintiff's marks to advertise them. The plaintiff brought trademark claims against the defendant for his use of the marks on the text of his website as well as in the metatags. Relying on a recent study and discussion in McCarthy's treatise, the court took the position that search engines no longer use metatags in determining a website's meaning or relevance to a particular term. Rather, they "primarily use algorithms that rank a website by the number of other sites that link or point to it." The court also found that there could be no initial interest confusion in any event, because the defendant's website was selling the plaintiff's genuine products.

3. ***Syncsort Inc. v. Innovative Routines Intern., Inc.*, 2008 WL 1925304 (D.N.J. April 30, 2008):**

The court either ignored, or was unaware of, the *Standard Process* decision. The plaintiff trademark owner and the defendant were competitors both making and selling sorting software for computers running UNIX. The plaintiff brought a trademark infringement claim for the defendant's use the plaintiff's mark in its metatags. The court appeared to assume, without discussion, that use of the mark as a metatag constituted use within the meaning of the Lanham Act. Relying on the Ninth Circuit's *Playboy v. Welles* decision,⁵⁶ however, the court held that the defendant's use was a nominative fair use, because it was limited to that necessary to describe its own product. The court also rejected the plaintiff's argument that consumers are confused when a search for the plaintiff's mark in a search engine results in a listing for the defendant's website. In finding no likelihood of confusion, the court quoted the *J.G. Wentworth* decision, "Due to the separate and distinct nature of the links created on any of the search results pages in question, potential consumers have no opportunity to confuse defendant's services, goods, advertisements, links or websites for those of the plaintiff."⁵⁷ Consequently, the court granted the defendant's motion for summary judgment as to the trademark claim.

Given this apparent difference in opinion over the relevance of metatags, it will be interesting to see how the issue is discussed in future litigation.

The TTAB's Evolving Standards Involving the Internet

The TTAB recently issued two significant rulings relating to Internet issues. First, the Trademark Trial and Appeal Board ("TTAB") announced last summer that it would

⁵⁶ *Playboy Enters., Inc. v. Welles*, 279 F.3d 796 (9th Cir.2002) (use by defendant, a former Playboy Playmate of the Year, of plaintiff's marks in metatags and in the text of her website was nominative fair use).

⁵⁷ *J.G. Wentworth, S.S.C. L.P v. Settlement Funding LLC*, 2007 WL 30115, *7-8 (E.D.Pa. Jan.4, 2007) (finding purchase of another's mark as a keyword and use in metatags was "use" under the Lanham Act but did not create a likelihood of confusion).

consider information from the online “encyclopedia” Wikipedia as evidence “so long as the non-offering party has an opportunity to rebut that evidence by submitting other evidence that may call into question the accuracy of the particular Wikipedia information.”⁵⁸

Also, the TTAB has rejected the position that use of a term in a domain name alone is sufficient to constitute use of a mark in commerce for purposes of registration.⁵⁹ In affirming the refusal to register applications based on the failure to submit sufficient specimens, the Board in *In re Supply Guys* stated, “a website can be used for multiple purposes and the simple fact that a term is used as part of the Internet address does not mean that it is a trademark for the goods sold on the website.”⁶⁰

Visa Litigation

Visa Inc. has been involved in internet-related trademark litigation in recent years.

In *PERFECT 10 Inc. v. Visa*, 494 F.3d 788 (9th Cir. 2007), the plaintiff offered a magazine and subscriptions to a website featuring “tasteful” images of models using the mark PERFECT 10. The plaintiff alleged that numerous websites unlawfully copied these images and offered them for a fee on their own sites, using the PERFECT 10 mark without permission. Instead of suing the companies running the infringing websites, the plaintiff brought claims against Visa and others, claiming Visa was secondarily liable for federal copyright and trademark infringement (among other things) for continuing to process credit card payments to these websites after being notified of the infringement. Visa filed a motion to dismiss, and prevailed at the district court level. The plaintiff appealed. Following the *Inwood Labs*⁶¹ and *Lockheed Martin*⁶² cases, the Ninth Circuit found that as to the claim for contributory trademark infringement, the plaintiff had “not pled facts showing that Defendants ‘intentionally induced’ infringement of [its] mark” and that the plaintiff “failed to allege facts sufficient to show ‘[d]irect control and monitoring of the instrumentality used by a third party to infringe the plaintiff’s mark.’” As to the claim for vicarious trademark infringement, the court looked to the Seventh Circuit’s requirement of “joint ownership or control” between the infringer and the defendant,⁶³ and held that the pleadings did not meet that standard. The Ninth Circuit affirmed dismissal of the case as to all of the claims.

In *Visa International Service Ass’n v. JSL Corp.*, 533 F. Supp. 2d 1089 (D. Nev. 2007), Visa brought a dilution claim against the defendant for its registration and use of the domain name evisa.com. It prevailed on a summary judgment motion in 2002. On appeal, the Ninth Circuit remanded the case in light of the Supreme Court’s decision in

⁵⁸ *In re IP Carrier Consulting Group*, 84 U.S.P.Q.2d 1028 (TTAB June 18, 2007).

⁵⁹ *In re Roberts*, Serial No. 76649075 (TTAB May 2, 2008) (term “irestmymcase” in attorney’s domain name and email address did not function as a source indicator; affirming refusal of registration); *In re Supply Guys Inc.*, 86 U.S.P.Q.2d 1488 (TTAB March 6, 2008).

⁶⁰ *In re Supply Guys Inc.*, 86 U.S.P.Q.2d at 1493.

⁶¹ *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844 (1982).

⁶² *Lockheed Martin Corp. v. Network Solutions, Inc.*, 194 F.3d 980, 984 (9th Cir. 1999).

⁶³ *Hard Rock Café Licensing Corp. v. Concession Servs., Inc.*, 955 F.2d 1143 (7th Cir. 1992).

Moseley v. V Secret Catalogue,⁶⁴ which held that a plaintiff must show actual dilution rather than a likelihood of dilution to establish a federal dilution claim. The district court held that Visa was “entitled to summary judgment even in light of the heightened standard created by *Moseley*,” and reaffirmed its grant of summary judgment.

Conclusion

Although the past year delivered a few victories for trademark owners, there are still many unsettled areas that will undoubtedly be complicated by evolving Internet technology. Trademark owners and their counsel should follow these trends and think creatively in combating new types of infringement stemming from technological advancements.

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⁶⁴ *Moseley v. V Secret Catalogue, Inc.*, 537 U.S. 418 (2003).