

# SHOULD TRADEMARK LAW BE DIFFERENT FOR THE INTERNET?

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## Should Trademark Law Be Different for the Internet?

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Trademark law has evolved from a synthesis of objectives serving not only the desire of brand owners to stop infringement, but also the public interest of ensuring that consumers, ordering what they believe to be genuine brand-name products, are not disappointed. At the same time, the concern for protecting fair competition has driven a variety of counterbalancing safeguards such as limiting or preventing the acquisition of laudatory, descriptive and generic terms while protecting fair uses of trademarks.

Because trademarks also protect consumers, the obligation of a brand owner to police infringement (and other misuses of its trademark) is based, not on a theory of laches or estoppel, but on the rationale that when the brand owner allows others to infringe his trademark and make goods of a quality potentially inconsistent with those sold under the trademark, the trademark is no longer symbolic of goods of any particular quality and not deserving of protection.

In other words, trademark law seeks to prevent consumer confusion by offering protection for trademarks that take steps to maintain some consistency in the quality of goods and services associated with the brands.

Obviously, the more famous a mark is, the stronger recognition it has in the consumer's mind. The unfairness of the situation is the fact that the more prestigious and established a trademark is, the more susceptible the brand owner's business is to the misuse of its trademark by others. This problem has been compounded by the new technologies of the Internet, which have resulted in the invention of new ways for competitors to take advantage of the trademarks of others.

### **Sponsored Links**

A sponsored link is an advertisement which appears in the results output of a search engine, such as Google, when a user of the search engine inputs a word (referred to as a "keyword") which has been "purchased" by the advertiser. For example, a person searching for footwear might type the word "sneakers" into the search box. If the term "sneakers" has been purchased by Adidas, an advertisement linking to Adidas would appear to the left or on top of the search engine results and would include a "link" to the website of Adidas. Below these sponsored links, the search results would appear, typically in the form of excerpts and links to other websites dealing with sneakers.

Sometimes manufacturers will be relatively aggressive in purchasing keywords. For example, a company like Adidas might purchase the keywords "sneakers", "running", "shoes", "footwear" and "sports". Most trademark attorneys would agree that this presents no trademark issue, although one might question (on grounds not dissimilar to those considered during the evolution of the trademark law) the fairness of a system where certain words in the English language can effectively be monopolized for important aspects of commercial transactions.

This takes on a decidedly darker tone when one company purchases the trademark of a competitor as a keyword. In principle, the Coca Cola Company can purchase "Pepsi" as a keyword. This would mean that Google users searching for "Pepsi" will be offered a link to a supplier of Coke.

### **Metadata**

Similarly problematic is the covert use of metadata in Internet webpages. To understand metadata, it is important to recognize that the web page seen on the Internet and its content never exist as such in the storage devices which output Internet content. Rather, what does exist is a set of directions which instruct a computer which has requested the Internet page on what to display. The set of instructions includes the actual words and pictures on the page, as well as instructions and much other data which never sees the light of day, such as programmer's notes, discarded options which the programmer was not ready to delete, and so forth. This "dirty" set of data is the easiest and quickest way to access website content with minimal processing. As a matter of practicality, search engines are almost forced to work with this dirty data set. However, it works quite well because a search engine's algorithm in searching for particular words, may be directed away from programmer's notes, miscellaneous instructions and the like.

Website developers very early recognized the potential for using this hidden or "meta" data, which is specifically labeled as such in the underlying source code for the page. It gave persons writing promotional materials the opportunity to make the visible part of a website an effective efficient and clear communication tool, without concern for search engine operation. At the same time, relevant words could be added to the invisible portion of the website as "metatags". While the use of metatags is generally innocuous, in many cases competitor's trademarks are also used as metatags in what is now generally viewed as an illegitimate attempt to attract website traffic from persons likely to be searching for products of others of the type offered by the website operator.

The immediate reaction of the bar has been essentially universally to view this as an infringement of trademark rights. The problem here is that it requires expansion of the traditional definition of trademark use. However, the courts do seem to be inclined to so expand the law. Nevertheless, if current trends in this area continue it may be opening the door to a period of unsettled law with implications extending well beyond the issues surrounding sponsored links and metatags.

### **Metatag and Sponsored Link Litigation**

Not surprisingly, there has been a great deal of litigation respecting the use of a competitor's trademark on the Internet, for example as metatags or sponsored links. While some of these

cases report a cause of action vaguely termed as "unfair competition", the analyses implemented by the courts, and presumably the arguments of counsel, have, to date, focused on traditional trademark infringement. Despite the popularity of this claim as a tool for dealing with the problem, the need to prove use and likelihood of confusion may be the Achilles' heel of the current trademark infringement approach.

### **Unfair Competition and Trademark Infringement**

Aspects of competition law which one might normally associate with unfair competition have become intertwined with trademark law to the limited extent that the activities involved might be understood as a misrepresentation of origin. However, it is important to keep these causes of action distinct.

Because, as noted above, trademark law is a product of concerns going beyond protecting the interests of trademark owners, technical rules have evolved to protect the public interest and, in particular, competition. These take the form of a series of requirements, principally the duty to police and the need to prove trademark use, which are, in some respects, irrelevant to competition law.

Trademark use is not mere use of a trademark, because there are fair uses of another's trademark which the law permits. Rather, trademark use, sufficient to support a claim of trademark infringement, is use of a trademark in a manner which is perceived by the consumer to be an indication of the origin of the goods or services. This allows competitors to "use" trademarks of others in a non-trademark sense. For example, competitors may state their products to be superior to or more economical than products of a particular brand. The point is that the consumer recognizes the trademark use to be merely identifying the products of another and not the products of the individual making the comparison. Such uses are also unlikely to create a likelihood of confusion, which is another requirement for trademark infringement.

Traditionally, use has been viewed as actual physical application of a trademark to a product. With respect to services, use occurs when the mark is associated with advertising, in a trademark sense, and that advertising describes the services offered under the mark. In both cases use must be use as a trademark. To better understand this, it could be argued that a label, bearing a manufacturer's name, applied to a product, for example one with the name of the manufacturer, and his address and telephone number, could be construed to constitute use as a trade name and thus not use of the mark sufficient to support a registration of trademark rights in the manufacturer's name.

### **Trademark Use and Internet Usages**

Not surprisingly, the application of these technical rules have given the courts some difficulties in dealing with the newly created usages of trademarks over the Internet. Initially, this gave rise to a substantial circuit split as toward what constituted trademark use, and whether traditional trademark infringement could be found in the case of meta-tag and sponsored link usage of a trademark by competitors. In particular, in *1-800 Contacts v. Whenu.com, Inc*, 414 F.3d 400 (2nd Cir. 2005), the Second Circuit applied the traditional rules for trademark use in a manner with which it is difficult to argue, and found that there was no trademark usage and thus no trademark infringement. However, a recent case in the Second Circuit, *Rescuecom v. Google*, ---

F.3d---, 2009 WL 875447 (2d Cir. 2009) suggests that the current circuit split has been healed. Nevertheless, it appears that this may have little effect on lawsuit outcomes, given the requirement for likelihood of confusion. Moreover, despite the arguable unanimity of the circuits, the outcome of a Supreme Court decision on this issue is difficult to predict.

### **Should Different Trademark Infringement Rules Apply over the Internet?**

With the exception of the recent Internet-related trademark infringement cases involving use of trademarks as meta-tags and sponsored links, other areas of unfair competition law, at least until recently, have remained very distinct from the trademark law, by virtue of the fact that they do not require trademark use, in the technical sense.

While the circuit courts appear to have found the use of competitor's trademarks in metadata and as sponsored links to be trademark use, and that may serve the interests of trademark owners, other aspects of trademark law strongly suggest that relief from this new form of "trademark infringement" will likely be difficult to obtain on a trademark infringement theory.

### **Likelihood of Confusion - An Impossible Hurdle?**

In addition to trademark use, likelihood of confusion is required for trademark infringement. The issue of likelihood of confusion has not been addressed substantively in the reported cases because it is a question of fact and, even a minimal showing of likelihood of confusion is enough for a cause of action to be likely to survive until trial. However, under the current approach, this may develop into a second troublesome issue, as one can easily imagine a situation where diversion of Internet traffic can have a significant economic impact on a plaintiff, even without evidence supporting a finding of likelihood of confusion.

Because, a finding of trademark infringement requires a finding of likelihood of confusion, plaintiffs, in many cases, are likely to have a very difficult time proving trademark infringement. More particularly, in many cases, sponsored advertising and websites can be argued to clearly specify the maker. Alternately, such material may appear in a context where searchers expect to find results relating to other manufacturers. This may be either on account of the imprecise nature of search engine operation, or the recognition of the allegedly offensive subject matter as competitor advertising on account of its position and format.

### **Decisional History**

When these cases began to be taken to court, conflicting conclusions respecting the existence of trademark use were reached on substantially identical fact patterns. As alluded to above, the differences in these decisions stem from the use of different rules for finding trademark use. Generally, this issue was addressed in a threshold motion to dismiss, largely under FRCP 12(b)(6), and thus the question of trademark use proceeded independently of the question of likelihood of confusion.

An early decision in the area, *Brookfield Communications, Inc. v. West Coast Entertainment Corp.*, 174 F.3d 1036 (9th Cir. 1999) launched the trademark infringement approach to what brand owners found to be objectionable uses of their trademarks on the Internet. Naturally, this also brought in the trademark law's requirements for use and likelihood of confusion. In *Brookfield*, the plaintiff which claimed rights in the trademark MOVIEBUFF, brought action against a

defendant which was about to use "moviebuff.com" as its website address as well as a similar term in the metatags for the site. However, defendant West Coast had claims to competing rights in the trademark MOVIEBUFF. The Ninth Circuit considered the requirements of 15 USC 1127, entitled "Construction and Definitions; Intent of Chapter", and ruled that use on goods is limited to placing the mark on goods, containers, displays, tags, labels or documents associated therewith, and that use on services extends not only to use in connection with the sale but also advertising of the services. However, the court evaluated competing uses only to determine priority between the plaintiff and the defendant. In considering priority, the Ninth Circuit defined use as use "in a way sufficiently public to identify or distinguish the marked goods in an appropriate segment of the public mind as those of the adopter of the mark."

Accordingly, the *Brookfield* court did not reach the issue of whether or not, under 15 USC 1114, a cause of action under the trademark law requires use of the trademark in the sense of application to a product by the infringer. However, in *1-800 Contacts v. Whenu.com, Inc.*, the Second Circuit held infringing use was defined by the same definition of use as is required for the acquisition of trademark rights under 15 USC 1127.

While post-*Brookfield* cases deal with use of the alleged infringer, as opposed to the use of the alleged claimant, with the exception of the Second Circuit in *1-800 Contacts*, the courts have been quite liberal in finding use. Accordingly, outcomes have been consistent with the outcome in *Brookfield*.

In *Playboy Enterprises, Inc. v. Netscape Communications Corp.*, 354 F.3d 1020 (9th Cir. 2004), the defendant used keywords to trigger the display of banner advertising. The plaintiff brought an action for trademark infringement and dilution under the Lanham Act. The Ninth Circuit made his position clear in its reversal of a grant of summary judgment in favor of the defendants. Again, following the rule in *Brookfield*, the court held that Playboy "clearly holds the marks in question and defendants used the marks in commerce". However, there was little discussion respecting trademark use.

Interestingly, in his concurring opinion Judge Berzon stated that "*Brookfield* might suggest that there could be a Lanham Act violation *even if* the banner advertisements were clearly labeled." Judge Berzon was concerned that this might support a finding of liability even in "situations in which a party is never confused". The court then analogized to a hypothetical situation where a customer heading toward the Calvin Klein department at Macy's is diverted by a display of store brand products. The opinion then questioned whether what could be viewed as a similar situation in the context of the Internet should not be tolerated.

### **Initially, a Circuit Split**

In *1-800 Contacts*, plaintiff brought suit against an Internet marketer whose software caused pop-up ads to appear on computer user's screens in response to a search for the plaintiff's trademark.

The Second Circuit seemed to indicate that there was some inconsistency between a cause of action for a trademark claim and allegations of free riding and trading upon the goodwill of another to create a likelihood of confusion. In this context, the court decided that there was no trademark use and created a split between the Circuits on this issue. However, the later decision

in *Rescuecom* defines aspects of the decision in *1-800 Contacts* which are less than clear in that decision, and many would agree overrules that decision.

### **“Invisible” Use as Infringement**

A year after *1-800 Contacts*, in *Australian Gold, Inc. v. Hatfield*, 436 F.3d 1228 (10th Cir. 2006), the Tenth Circuit considered a case where the defendants used plaintiff's trademarks as metatags and to obtain a preferred position in search results. The Tenth Circuit went in the direction of the Ninth Circuit, upholding a \$5 million jury award for initial interest confusion trademark infringement and related causes of action.

In a similar case, use of a trademark in connection with a sponsored link was found to be trademark use in *Buying for the Home, LLC v. Humble Abode, LLC*, 459 Fed Supp. 2d 310. In making its decision, the court relied upon a broad reading of 15 USC §1125(a)(1). See also *JG Wentworth v. Settlement Funding LLC*, 85 USPQ 2d 1780 (DC E.Pa 2007), where the plaintiff's trademarks being used as metatags and to trigger Google sponsored link advertising were found to be trademark infringement.

In *Boston Duck Tours v. Super Duck Tours*, 527 Fed Supp. 2d 205 (DC Mass 2007), the court reviewed the various conflicting decisions in the area and decided that the use of a competitor's trademark for sponsored linking was trademark infringement.

In *North American Medical Corporation v. Axiom Worldwide, Inc.*, 522 F.3d 1211 (11th Cir. 2008), the Eleventh Circuit agreed with the then majority of the circuit courts of appeal that use of a competitor's trademarks as metatags in the hidden part of a website page was sufficiently used to trigger liability for trademark infringement under the Lanham Act. The Eleventh Circuit explicitly considered and rejected the rationale of the Second Circuit in *1-800 Contacts*.

While the decision in *RescueCom* seeks to dispel any characterization of backpedaling, most agree that the Second Circuit has joined the majority of the circuits in finding that a competitor's use of a trademark as a tool to trigger search results is trademark use. The justification here is based on the court's holding that the Lanham Act, though it includes only one definition of use, applies two different meanings to the term use, one of them consistent with the definition of use in the Lanham Act and the other inconsistent with that definition of use. More particularly, the court found that application of the mark to the goods was the use needed to trigger the right to register, but that a more liberal standard, perhaps the one first laid out in *Brookfield* should apply to determining whether the use is sufficient to support a finding of trademark infringement. The opinion includes a detailed justification for this inconsistent reading of the law based upon the history of the legislation.

Nevertheless, in *Rescuecom* the Second Circuit did suggest its opinion that the likelihood of confusion second prong of a trademark infringement claim might not easily be proven.

### **“Unfair” Despite a Lack of Confusion?**

One need only go to any store shelf to see the proximate placement of name brand and generic goods. No doubt, the presence of generic goods diverts business from the name brand manufacturer. Certainly, presentation of competing products on the same page in search engine results could be argued to be analogous. However, might one also argue that given the complete flexibility of the Internet, a higher standard might apply. Internet pages can have a

content customized to any standard. Would it be unreasonable for search results to be limited to the name brand searched for?

Consider whether there is anything wrong with a generics-dedicated website having a search engine which has the announced purpose of receiving brand names and outputting links to generic substitutes. However, also consider the trademark owner's viewpoint that after huge investment in building up a brand into a strong and powerful marketing tool, that tool can be turned against the trademark owner. Would some limitations on the use of a trademark by competitors or search engines be appropriate to encourage brand owners to turn out quality products and develop a reputation that consumers look for and rely upon? Or would that merely assured that a strong marketing position, once established, would have unfair protection against fair competition? Would it be appropriate to require search engines to return only the brand name unless the consumer specifies otherwise, for example with a phrase such as "generic equivalent of" before the brand name? Should search engine operators, upon receiving an inquiry with a brand name, display a window which allows searchers to, brand-name and/or generic hyperlinks?

### **Unfair Competition as a Broad Cause of Action**

In any case, with regard to the current fact that is before the courts, ample case law exists to address the complained of injury. Plaintiffs can avoid the troublesome twin issues of use and likelihood of confusion by proceeding on a broad unfair competition theory. The law here is well-developed and predictable. See for example *Roy Export Co. v. Columbia Broadcasting System, Inc.*, 672 F.2d 1095 (2d Cir. 1982), characterizing unfair competition as a capacious doctrine encompassing any form of commercial immorality or simply "endeavoring to reap where one has not sown".


See also, *BLI Apparel Corp. v. Heritage Quilts, Inc.*, 210 U.S.P.Q. 1999 (SDNY 1980), where the court explicitly rejected trademark protection for apparel catalog numbers, citing an absence of secondary meaning. However, the court went on to note that the plaintiff might have some relief under a claim for copying and palming off. See also *Filmways Pictures, Inc. v. Marks Polarized Corporation*, 552 F. Supp. 863 (SDNY 1982), where after dismissing a claim for theft of trade secrets, the court declined to dismiss an unfair competition claim based on the unfair inducement of the disclosure of trade secrets which were subsequently disclosed to and used by a competitor competing with the originator of the trade secret.

Certainly, companies contesting the use of their trademarks by competitors in connection with metatags and sponsored links might well consider a cause of action for unfair competition. It is an open question whether the courts will require a showing of likelihood of confusion, or perhaps only look at likelihood of confusion as a factor in the overall analysis. This may prove to be the most interesting part of the unfolding law in this area.



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### Should There Be Different Trademark Infringement Rules for the Internet?



Anthony H. Handal

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### Origins of Trademark law

- Protect public from counterfeit low quality goods
- Protect brand owners

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### Balanced by Protecting Competition

- No monopoly over generic terms
- Qualified protection of descriptive terms
- Trademark use needed to trigger infringement action
  - Allows comparative advertising

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**Duty to Police Trademark**

- Failure equates to allowing quality to vary
- Trademark not worthy of protection
  - ▣ Does not function to signify quality
- Not latches or estoppel
- Not appealing to juries

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**Elements of Trademark Infringement**

- Use of the trademark of another
  - ▣ Physically attached to goods
  - ▣ Advertisement of services
- Likelihood of confusion
  - ▣ Question of fact
  - ▣ Helped by perceived wrongdoing

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**Unfair Competition**

- Covers a wide range of activities
  - ▣ Reap where you have not sown
  - ▣ Commercial immorality
  - ▣ Unfairly induced to disclose trade secrets to competitors
- Sometimes used referring to trade dress and trademark infringement

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## What is the Composition of a Webpage?

- Underlying code
- Display

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## A Typical Internet Page:



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## Click on "View" then "Source" to See Code



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**Code With Visible Data Highlighted in Yellow**



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**Current Trademark Issues with the Internet**

- Ownership of generic terms
- Search engines can make fair use unfair

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**Proposals**

- Dialog box for user input
  - Do you want generic results

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Tony is a partner in the firm's Intellectual Property practice group. He focuses his practice on patent, trademark and copyright trial work, technology licensing, and related corporate matters, as well as the enforcement and procurement of intellectual property rights in the United States, Europe, and Asia.

Over the past 30 years, Tony has served as lead counsel in over 180 intellectual property lawsuits including actions before the U.S. Supreme Court, many Federal appellate and district courts, and overseas tribunals, with amounts at risk ranging up to \$2 billion. In his career, he has also obtained over 700 patents for his clients. He has experience representing clients from various technologies and industries, including pharmaceuticals, electronics, business methods, medical devices, software, molecular biology, biomedical systems, holography, apparel and retail. He currently teaches patent litigation strategy at the Patent Resources Group.

After leaving Pennie & Edmonds, Tony was a founding partner of a New York-based intellectual property litigation boutique, where he represented his clients in over 20 published intellectual property decisions. Prior to entering private practice, Tony served as an examiner in the United States Patent and Trademark Office, where he ruled on communications electronics and color television patent applications. As a researcher under Project Apollo, he conceived and implemented the concept of data compression, publishing the first paper on the subject in 1969.

Tony is admitted to practice in the states of New York and Connecticut. He is also admitted to practice before the United States Patent and Trademark Office, the U.S. Supreme Court, the Court of Appeals for the Federal Circuit, the U.S. Court of Appeals for the Second, Fourth, and Ninth Circuits, the Southern, Eastern and Northern Districts of New York, the Eastern District of Pennsylvania and the Eastern District of Texas.

### Education

- Georgetown University Law Center, J.D., 1972
- Polytechnic University, B.S.E.E., 1969

### Publications

- "Does the Power of the Internet Justify Changing Traditional Rules for Trademark Infringement?" · *Intellectual Property Today*, February 2009
- "Intellectual Property Update: *Inter Partes* Reexamination Becoming Efficient and Effective in Removing Weak Blocking Patents" · *Thompson Hine LLP Bulletin*, September 2008
- "Second and Fifth Circuits Clash on Copyright Protection for Costumes and Clothing" · *Intellectual Property Today*, October 2005

### Presentations

Tony is a frequent panelist at the NYIPLA and has appeared as a seminar lecturer at the Georgetown University Law Center. He is currently teaching the course on patent litigation strategy at the prestigious Patent Resources Group.