

TRADEMARK ISSUES AND THE INTERNET

By
Matthew Krigbaum, Esq.
Cedar Rapids

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Internet technology and ecommerce are so dynamic that the issues facing businesses and their legal counsel change almost daily. The courts and lawyers on both sides of the issue are facing new challenges in their practice. It is a struggle to fit these new issues within the framework of traditional law. As a result, court decisions tend to be very fact specific and apply the fundamental notions of fairness. Oftentimes, a court's decision is strongly influenced by the nature of the parties' relationship and the specific facts involved. Currently, there are multiple statutes pending in Congress and various state legislatures around the country attempting to enact guidelines applicable to the Internet and ecommerce. Oftentimes these laws are hastily drafted and frequently challenged.

Since 1996, the World Wide Web, or what is commonly referred to as the Internet, has played an increasingly important role in commerce, creating new legal issues, not only in the intellectual property arena but in other areas as well, such as contract law, securities and basic constitutional foundations like jurisdiction. As with all new technologies, intellectual property laws must be stretched and molded to cover these new issues. In the past four to five years, the Internet has caused a substantial change in the field of intellectual property law. The majority of the new issues have centered on trademark and copyright rights. Within the past few years, patents have played an increasingly important role as companies are filing more patent applications for software applications and on-line business methods. On the other hand, trade secrets have remained rather obscure. This paper will focus solely on the use of trademarks and the application of trademark law to the Internet.

TYPES OF MARKS AND REGISTRATION ISSUES

The issues involving the interaction of trademarks and the Internet are vast. The most common issues involve domain names, metatags and linking; however, other new legal issues that exist are spamdexing and keyword banner advertising. As for trade dress law, it remains to be determined whether trade dress infringement will be applicable to Internet websites. This paper provides only a cursory overview of a handful of these issues.

There are 5 types of marks, generic, descriptive, suggestive, arbitrary and coined or fanciful.. The first two are not protectable under the trademark law (whether it be by common law, state trademark law or federal trademark law), while the last three are. Generic marks can never serve as a source identifier. Escalator is the generic name for a moving staircase. It was once a protected trademark, but the owner used escalator to refer to a moving stair case instead of escalator brand moving stair case. Kleenex® is another example of a mark moving towards genericide. Descriptive marks simply describe a feature or function of the good or service. Thus RED apples, where RED is the trademark and apple is generic, is not a trademark because red describes a feature of the good. There is a very fine line between descriptive marks and suggestive marks. A good example of a suggestive mark is Coppertone® Sun Tan lotion. Using the Coppertone® brand of sun tan lotion suggests that the use of the lotion will result in a nice coppertone looking tan. Apple® for computers falls into the third category: arbitrary marks. Apple as applied to computers is arbitrary and thus entitled to strong protection. Finally, the last category, entitled to the strongest protection are fanciful marks. A good example is Exxon® or Kodak® as these two words did not exist before Standard Oil and John Eastman created them.

Trademarks function as source identifiers. Anything that can act as a source identifier can act as a trademark. Aside from the typical word marks, logos or slogans, color has been registered as a trademark (pink was registered for fiberglass by Owens Corning), sound can act as a trademark (the NBC chimes) and scent has been registered as a trademark (a certain fresh floral scent for yarn). Your client may be using a certain word and intends that it serves as a trademark, but it may in fact not be protectable as a trademark.

Now, in addition to the trademark forms mentioned in the preceding paragraph, with increasing frequency the Internet has brought about new forms of trademarks. Registrations for domain names as trademarks have increased significantly in the past year. Additionally, registered trademarks are frequently being re-registered with the letter “e” or “i” at the beginning of the trademark. The letter “e” has become generically known for electronic commerce (“ecommerce”) and “i” for Internet. Animation is one of the newest forms of trademark protection. Netscape Communications Corporation received a trademark registration for the shooting star and rotating globe animation that one sees in the upper right-hand corner of Netscape’s Internet browser software.¹

One can file for federal trademark protection in one of two ways, the first via an in-use application and the

¹ See Trademark Registration number 2077148. The description contained in the registration of the mark is as follows “the mark consists of an animated sequence of images depicting the silhouette of a portion of the planet with an upper case letter “N” straddling the planet and a series of meteorites passing through the scene, all encompassed within a square frame. The animated sequence is displayed in the operation of the software.”

second via an intent-to-use application. An in-use application is filed when the mark is currently being used in interstate commerce. Since the early part of the last decade, intent-to-use (“ITU”) applications to reserve a mark which will later be used in commerce have become increasingly popular for obvious reasons – the ability to reserve a mark before actual use. The advent of the ITU system significantly increased the number of trademark applications that the Patent and Trademark Office (“PTO”) received in the early 90’s. However, that increase was easily eclipsed over the past few years as more and more businesses filed ITU’s to protect trademarks used on their website that are related ecommerce marks. There are presently over 30,000 pending or registered applications that incorporate “.com” into the mark. There are approximately 33,000 pending or registered with “Internet” in the goods and services description.

The explosion of the Internet has not been lost on the PTO. One can file an electronic trademark application using the PTO’s “e-Teas” technology. Patents can also now be filed online. Because of the influx of applications for domain names and Internet related marks, the PTO published Examination Guide No. 2-99 titled “Marks Composed, in Whole or in Part, of Domain Names”² and Examination Guide No. 1-00 titled “Use of the Words “Internet” or “Intranet” in Identifications of Goods and Services.”³

The 1-00 Examination Guide changes the past rule of referring to the Internet as a “global computer network” and now permits the use of “Internet” to refer to the World Wide Web. The 2-99 Examination Guide rightfully recognized the genericness of the and top level domain names (“gTLD”) consisting of .com, .edu, .gov, .int, .mil, .net and .org in addition to the country code top level domain names (i.e. .ca; .uk; .fr) and the proposed ICANN gTLDs consisting of .arts, .firm, .info, .nom, .rec, .store and .web or any future gTLD’s. Further, the examination guide recognizes that the beginning of the URL (http://www.) and the gTLD do not have any source indicating significance (which is the essence of trademarks). These designations are merely devices that are required as part of the Internet address. The PTO also recognizes that website addresses are now becoming very popular in advertisements as additional communication avenues to contact a source. Wisely, the PTO states that applications for registration of a mark consisting of domain names are subject to the same requirements as all other applications for trademark registration. In sum, in order for an Internet domain name to be registered as a trademark, the domain name must be used as a trademark, in a trademark fashion, indicating source and not used as an additional address for information. The PTO has advised its trademark examiners to ignore the “www” and

² See <http://www.uspto.gov/web/offices/tac/notices/guide299.htm>

“.com” when evaluating a trademark application, much like the previous rule of ignoring “Inc.” and “LTD.”

The Trademark Trial and Appeal Board (“TTAB”) has faced the issue of whether a domain name serves as a trademark or merely as an additional address, in an appeal from a denial to register a domain name for a law firm.⁴ In this case an attorney attempted to register the mark WWW.EILBERG.COM as a trademark. The TTAB held that the mark was not being used as a trademark, and thus was not serving as a source identifier, but instead was merely an additional address or method of communication that a potential client could use to seek information about the Eilberg firm. The registration was denied on these grounds.

When filing for a domain name trademark registration, the specimens must show the domain name being used in a trademark fashion (i.e. Amazon.com) as opposed to an avenue of communication. The PTO also recognized that where a business is merely advertising its own products or services on a Website, the domain name is not subject to registration for that activity.⁵ All other aspects of traditional substantive review of trademark applications apply (areas such as surnames, descriptiveness, genericness, marks containing geographical names and the use of disclaimers).

TRADEMARK LITIGATION

Domain Names

The first cases involving trademark infringement and the Internet were focused on domain name trademark infringement. As more people realized the potential of the Internet, the amount and method of online infringement of trademarks have significantly changed; domain name trademark infringement is but one of many ways.

Domain names are the readable portion of a web address. A true web address is a string of numbers. Since it is easier to remember a word than a string of numbers, domain names have been overlaid on the number string. Registration of a domain name can be done through a variety of registrars, such as Network Solutions, Register.com and Domain Direct. Typically the cost is \$35 per year per domain name. A list of available domain names can be found at www.icann.org/tlds. Trademark law comes into play when someone registers another’s trademark as a domain name. Within the past two years the process for resolving these issues has become much more settled. In

³ See <http://www.uspto.gov/web/offices/tac/notices/guide1-00.htm>

⁴ *In re Eilberg*, 49 U.S.P.Q.2d 1955 (TTAB 1998)

⁵ See Note 2 at 2.

the past under the previous domain name dispute policies, the most difficult disputes to litigate or resolve involved cybersquatters. Today, however, cybersquatters are easily dealt with under the Uniform Dispute Resolution Policy (“UDRP”) and the Anticyberpiracy Consumer Protection Act (“ACPA”). Before the UDRP and ACPA existed, trademark owners were forced to initiate a lawsuit under the Lanham Act⁶ on a likelihood of confusion basis or the Federal Anti-Dilution⁷ statute on a dilution grounds.

Traditional Trademark Theories of Liability

Perhaps the most famous cybersquatter was Dennis Toeppen. He was the subject of one of the first cases that was fully litigated to a point where the court issued an opinion. Toeppen had registered numerous trademarks as domain names. His intent was to hold them for ransom in the hopes of making a significant amount of money. Fortunately for the trademark owners, Congress had recently passed the Federal Anti-Dilution statute.⁸ Toeppen was sued under the dilution statute by Intermatic.⁹ The statutory requirements of the Anti-Dilution statute are that the mark is famous and the domain name is being used in commerce. Intermatic, unlike many other trademark owners, was able to satisfy the famous standard. The Court held that the offering of the domain name for sale was use in commerce, and such use was sufficient to satisfy the statutory requirement. Intermatic was one of the few to be successful in dilution litigation. Many other trademark owners tried and were not successful or didn’t bring an action at all because their mark was not famous. At that time Network Solutions had a domain name dispute policy which was ineffective and frequently changed. Thus trademark owners were not left with much legal help.

In November 1999, help came by way of the new Uniform Domain Name Policy¹⁰ issued by ICANN¹¹ to which all domain name registrars for the gTLDs are obligated to follow and, furthermore, in December of that year Congress passed the Anticyberpiracy Consumer Protection Act.¹² Both the UDRP and ACPA have the same goal: returning domain names to their rightful owners without payment of a ransom. Both focus on domain name piracy and require a showing of bad faith. Both apply to marks that are confusingly similar, i.e. the domain name does not have to be identical to the infringed trademark. The major difference is that the UDRP is akin to arbitration and

⁶ 15 U.S.C. §§ 1051-1127.

⁷ 15 U.S.C. § 1125(c).

⁸ Section 43(c) of the Lanham Act, 15 U.S.C. § 1125(c).

⁹ *Intermatic v. Toeppen*, 947 F. Supp. 1227 (N.D. Ill. 1997).

¹⁰ <http://www.icann.org/udrp/udrp.htm>

¹¹ ICANN stands for Internet Corporation for Assigned Names and Numbers. ICANN oversees the Internet registrars who issue the .com, .org and .net domain names. See www.icann.org.

¹² 15 U.S.C. § 1125 (d).

typically lasts 6-8 weeks, while the ACPA is litigation in federal court.

UDRP

Some of the specifics of the UDRP are that attorney's fees cannot be awarded, the arbitrator cannot award monetary judgments, the only relief available is a transfer or cancellation of the domain name, both parties have the right to litigate the decision in federal court, service of process is much easier, (service is made on the address given to the domain name registrar) and the whole proceeding is relatively inexpensive.

To bring an action under the UDRP, the complainant must file a complaint with one of the three approved dispute resolution providers: WIPO, National Arbitration Forum, and CPR Institute. The domain name registrant has twenty days to respond after service of the complaint. An arbitrator will be appointed within five days after the time to file a response expires. Either party has the option of requesting three arbitrators, as opposed to one arbitrator. If no response is filed, the arbitrator will decide the dispute based upon the information contained in the complaint. The arbitrator must issue the decision within fourteen days after being appointed.

It is not necessary to have a federal trademark registration to bring an action under the UDRP and there is no requirement that the mark be distinctive or famous. The trademark owner or complainant must show that the domain name owner has no rights or a legitimate interest in the domain name and that the name was registered and/or is being used in bad faith. "Use" has been interpreted as offering the domain name for sale. Bad faith can be demonstrated by any of the following factors:

1. The name has been registered for the primary purpose of selling, renting or otherwise transferring the domain name to the complainant who is the owner of the trademark or to a competitor of the complainant.
2. The domain name has been registered to prevent the owner of the trademark from owning it, provided the domain name registrant has engaged in a pattern of such conduct.
3. The name has been registered for the primary purpose of disrupting the business of the competitor.
4. The name has been registered with the goal of intentionally diverting users, for commercial gain, to a website through a likelihood of confusion with the complainant's trademark.
5. Any other factor that might demonstrate bad faith.

Defenses to bad faith are i) that the registrant is using or preparing to use the domain name in connection

with a bona fide offering for goods or services before the notice of the dispute; ii) the domain name owner has been commonly known by the domain name, even without trademark rights in the name; iii) the holder is making legitimate non-commercial or fair use of the domain name, without the intent for commercial gain or to mislead consumers; or iv) any other factor that might serve as a defense.

The first case filed and decided under the new policy was filed by the World Wrestling Federation in connection with the registration of the domain name “worldwrestlingfederation.com”.¹³ A California man registered the domain name with the intent to profit from the sale to the WWF (a bad faith factor). The arbitrator ordered the domain name to be transferred to the World Wrestling Federation. This is representative of a typical outcome. Close to 80% of cases have been won by the trademark owner. One example of a case where the domain name owner, not the complainant, won is the eddiebauer camping.com case.¹⁴ The complainant did not succeed in proving bad faith because the complainant and the respondent were in protracted licensing negotiations for the trademark and the complainant knew that the respondent had registered the domain name to use after the license negotiations were completed.

ACPA

Some advantages of ACPA over the UDRP are there are alternative remedies for *in rem* and *in personam* jurisdiction. Under both types of jurisdiction, the court can order a transfer, cancellation or forfeiture of the domain name. *In personam* jurisdiction includes statutory damages of \$1000 to \$100,000 per domain name (unless the cybersquatting occurred prior to the effective date of the law). An *in rem* proceeding provides a way to resolve personal jurisdiction problems.

Under the *in personam* provision of the ACPA, a domain name owner is liable if the owner has a bad faith intent to profit from the mark and registers, traffics in or uses a domain name that is distinctive or famous. Bad faith is described in the statute to be one of nine different factors. Some of the factors are whether the registrant has registered multiple domain names comprising distinctive or famous trademarks, whether the registrant has made attempts to sell or otherwise transfer the domain name to the true trademark owner for large sums of money or whether the registrant has used misleading contact information in registering the domain name. Bad faith will not be found when the owner had reasonable grounds to believe that the use of the domain name was fair use or otherwise

¹³ *World Wrestling Federation v. Michael Bosman*, Case No. D99-00001.

lawful. Remedies are cancellation, transfer and statutory damages or actual damages.

An *in rem* proceeding is used when personal jurisdiction cannot be attained. The suit must be brought in the jurisdiction where the registrar is located. Remedies are limited to cancellation, forfeiture and transfer. Before a court will allow an *in rem* action to proceed, the plaintiff must show that an attempt to serve notice was made by mailing and emailing the addresses submitted to the registrar at the time of registration. The plaintiff must show diligence in locating the domain name owner. An *in rem* action cannot be combined with any other action under the Lanham Act, as other actions require personal jurisdiction.¹⁵

One of the first courts to address the ACPA was the Second Circuit.¹⁶ Although the ACPA was not considered at the trial level, the Second Circuit considered the newly-enacted law and applied it to the facts. The court held that the mark at issue was famous and there was bad faith on the part of the registrant when the registrant registered the domain name. The court ordered the mark to be transferred.

Although the UDRP and ACPA have brought some consistency to domain name litigation, one should still carefully consider the final objective desired and then weigh the benefits of bringing an action under the UDRP or ACPA. One caveat with regard to the ACPA is that at present there are not many appellate decisions construing the ACPA. Most of the decisions are district court decisions, so the full meaning and enforcement of the statute has not been fully fleshed out.

Sucks Domain Names

Another increasingly popular trend is the registration of disparaging domain names. Most common are domain names that incorporate “sucks” at the end, such as “UPSsucks” or “Walmartsucks”. Others examples are “IhateUPS.com” and “Verizonreallsucks.com”. There are approximately 17,000 websites with “sucks” as part of the name. Some of those sites are legitimate tools of criticism, however many are not. If the site is a legitimate tool of criticism and does not defame the trademark owner, the site is entitled to First Amendment protection and the trademark owner has little chance of getting the domain name transferred to it. Unfortunately, trademark owners do not own the majority of the sucks sites. Fortunately, some companies have become proactive and aside from registering their trademarks or company name as domain names, they are also registering popular derogatory

¹⁴ *Eddie Bauer, Inc. v. Cole Sales Solutions, Inc.*, Case No. AF-0243.

¹⁵ See *Harrods Limited v. Sixty Internet Domain Names*, 110 F. Supp.2d 420 (E.D. Va. 2000).

¹⁶ See *Sporty's Farm LLC v. Sportman's Market et al.*, 202 F.3d 489 (2nd Cir. 2000).

domain names as well. This insures that those derogatory domain names are not available for others to register.

Under the UDRP, some arbitrators have awarded many of the “sucks” domain names to the trademark owners if the site was not used legitimately. Others have brought actions under the ACPA instead. One such example is “Verizonsucks” and “Verizonrealllysucks.com”. The editors of 2600 (a hacker magazine) registered these domain names. Verizon sent a cease and desist letter accusing trademark infringement and violation of the ACPA. The editors for 2600 replied stating that the cease and desist letter was a misapplication of the ACPA, as the law was designed to protect companies against those who would register the name and hold it for ransom, but where a website contains a statement or opinion in a way in which no one would be confused with the actual company, it is not a violation of the ACPA. This case has not resulted in a court decision as 2600 essentially turned over the website to Communication Workers of America, who at the time were on strike. The Communication Workers of America used the site to post information about the strike.

Passing-off

One final cause of action for domain name trademark infringement is a passing off theory under section 43(a) of the Lanham Act. Increasingly people are using generic names as domain names such as “pets.com.” Through May of 2000, nearly 16 million domain names were registered worldwide. The most sought-after is the .com top-level domain name. According to a 1999 survey of 25,500 standard English language dictionary words, only 1,760 are free in the .com domain.¹⁷ Although these generic words are popular domain names, they typically cannot serve as trademarks because they are generic or descriptive. However a domain name owner with a generic name as part of the domain name may still sue under the federal Lanham Act under a passing-off theory based on secondary meaning (proof of secondary meaning for descriptive marks entitles the descriptive mark to trademark protection). One company was successful under this theory. On May 10, 2000, a jury in the Northern District of California awarded a plaintiff four million dollars in damages for the defendant’s use of the domain name E-cards.com, even though the parties stipulated that E-cards is generic for the goods/services in question.¹⁸ The court adopted an expanded version of the doctrine expounded in *Blind Veterans Association*.¹⁹ The courts have generally held that a competitor cannot be prevented from using a generic term to identify itself or its product but that a

¹⁷ Weinberg, Jonathon. Report (Part 1) of Working Group C of the Domain Name Supporting Organization Internet Corporation for Assigned Names and Numbers. March 21, 2000. <www.dnso.org/dnso/notes/20000321.NCWGC-report.html>.

¹⁸ *E-cards v. King*, No. C-99-3726 SC (N.D. Cal. 2000).

¹⁹ *Blind Veterans Association v. Blind American Veterans Foundation*, 872 F.2d 1035 (D.C. Cir. 1989).

competitor may be required to take steps necessary to distinguish itself from the other party or its products.²⁰ On the Internet secondary meaning automatically results from the virtual monopoly that the domain name owner has in their specific URL. This may very well be the next phase of domain name trademark infringement litigation.

International Domain Name Disputes

In an international domain name dispute Pro-C Limited, a small software developer in Waterloo, Ontario, Canada recently won a \$1.2 million damage award from computer retailing giant Computer City as a result of web based trademark infringement, however Computer City has appealed the decision and it is unlikely the decision will stand. In 1994, Pro-C purchased all rights to a software product called Wingen, including the Canadian and U.S. trademarks. In 1996, Pro-C registered Wingen.com. In December of 1997, Computer City launched a new computer called Wingen. This computer was promoted on the company website and through traditional media. The computer was only sold in Computer City stores and was not available in Canada.

Despite the fact that the sales and promotion of the Wingen computer was limited to the United States, Pro-C suffered severely. The number of hits per month on the Wingen.com website quadrupled, the company e-mail system was inundated with support inquiries which intern caused Pro-C's computer system to crash. Pro-C was then unable to service its own clients.

Pro-C demanded that Computer City cease and desist its infringing activity. By the time Computer City agreed to cease the infringing activity, Pro-C had received numerous complaints and effectively lost control of its own trademark. Pro-C brought suit in the Ontario Court for trademark infringement. The Judge awarded \$450,000 for losses incurred as a result of the activity and \$750,000 for punitive damages. The Judge noted that Computer City had known that it might face legal consequences for its actions but decided to capitalize on the profit potential of the Wingen name. The award of significant punitive damages is attributable in part to the evidence contained in the web server logs of Pro-C. Pro-C was able to prove that Computer City was aware of the Wingen trademark as the server logs showed visits from the main Computer City domain immediately prior to the launch of the Wingen computer.

Computer City is currently appealing the decision. One of the primary issues in the appeal is whether the Canadian Court had jurisdiction over trademark infringement when the only connection to Canada is through web

²⁰ *Id.*

based advertising. The trial court held that web based advertising contributes to the “presence” of a product in Canada and Canadian trademark law applies to infringing uses of trademarks within Canada. Although the computer servers on which the website was based were not physically located in Canada, the web based advertising had an effect on Canadian consumers, which was sufficient to meet the statutory requirements. The trial judge acknowledged that the Computer City site was passive in nature since the Wingen computer was not available on-line, but the site was an integral part of the overall Computer City presence in Canada and therefore the Court could assert jurisdiction over the matter.

This case further illustrates that foreign courts are increasingly active in asserting jurisdiction where infringing or harmful activity that takes place over the Internet is available in foreign countries. Furthermore, U.S. courts are increasingly active in asserting jurisdiction as well. A Pennsylvania judge in the *icravetv.com* case asserted jurisdiction over a Canadian company that used technology to capture network TV shows and replay them over the web. This company was based solely in Canada and did not have any presence in the U.S. However, the Court held that an American citizen’s intellectual property was being infringed and the content was available to all American citizens, therefore it had jurisdiction. Foreign and domestic courts are grabbing what used to be considered extraterritorial jurisdiction using an effects test²¹: “What effect does the infringing activity have on this country’s citizens?” This rationale is enabling judges everywhere to exercise jurisdiction over foreign entities.

Metatags

Metatags are keywords that are coded in the hypertext mark-up language (“HTML”) used to create a web page.²² These metatags are tools that allow the owner of a website to use certain terms and phrases that are not visible to the user, but are visible to spiders and search engine technology, and are used to enhance the probability of a higher ranking by a search engine, thus assuring more hits. Frequently registered trademarks are used as metatags. Most search engines use complex algorithms to rank websites. These algorithms look at many factors of a web page, including the metatags and the actual text on the web page. Because the metatags are hidden in the source code, the trademarks are invisible to the viewer of the web page. However, invisibility does not relieve a web page owner from infringement liability, as a cause of action exists for invisible trademark infringement.

The first court decision involving metatags was filed by Playboy against an individual who used certain

²¹ See generally *Calder v. Jones*, 465 U.S. 783 (1984); *Archdiocese of St. Louis v. IEG, Inc.*, 1999 U.S. Dist. LEXIS 1508 (E.D. Mo. 1999).

registered Playboy trademarks in the metatags (and as domain names) of his web page.²³ The Court granted Playboy's motion for preliminary injunction and barred the defendant from using the marks PLAYBOY and PLAYMATE, as part of his website domain name and as "buried code or metatags on [his] home page or web pages or in connection with retrieval of data or information"²⁴ The success of Playboy in this case is evidence that the courts are not willing to distinguish traditional (visible) trademark infringement from nontraditional (invisible) trademark infringement on the Internet.

Under Section 32 of the Lanham Act, a party is liable for trademark infringement if that party, without consent of the registrant, uses a trademark in commerce which is likely to cause confusion, mistake or deception.²⁵ There is no express requirement that the mark be visible, only that it is likely to cause confusion.

In another case brought by Playboy, Playboy sought to enjoin the use of PLAYMATE and PLAYMATE OF THE YEAR on the Terri Welles website.²⁶ In 1981, Terri Welles was the Playmate of the Year. Since 1981, Ms. Welles has appeared in numerous Playboy promotions. In 1997, Ms. Welles decided to take advantage of the popularity of the Internet and post a web page. Ms. Welles liberally used the trademarks PLAYMATE and PMOY (Playmate of the Year) on her web page. Playboy, not licensing the use of its marks to Ms. Welles, instituted an injunction action to prevent the unauthorized use. The court held that because the use of PLAYMATE and PLAYBOY was done in a descriptive manner, the website contained numerous disclaimers²⁷ and Ms. Welles was truly Playmate of the Year of 1981, she was not infringing Playboy's trademarks.

One of the most recent decisions to thoroughly analyze the law surrounding trademarks and metatags is the *Brookfield Communications* case.²⁸ This case involved the use of the registered trademark MOVIEBUFF'S MOVIE STORE by West Coast and the use of MOVIEBUFF as a registered mark by Brookfield. In 1993, Brookfield marketed computer software that featured a searchable database containing entertainment industry-related information under the mark MOVIEBUFF. In 1996, Brookfield attempted to register the domain name Moviebuff.com to take advantage of the opportunities that the Internet provided. However, they learned that West Coast has already registered the name. Brookfield subsequently registered Moviebuffonline.com.

²² Metatags can be seen by selecting the "source" option under the "Edit" pull-down menu.

²³ See *Playboy Enterprises, Inc. v. Calvin Designer Label*, 985 F. Supp 1220 (N.D. Cal. 1997).

²⁴ See 985 F. Supp at 1221

²⁵ See 15 U.S.C. §1114

²⁶ See www.terriwelles.com

²⁷ On many of the web pages there is a disclaimer that states "[t]his site is neither endorsed, nor sponsored by, nor affiliated with Playboy Enterprises, Inc. Playboy, Playmate of the Year and Playmate of the Month are registered trademarks of Playboy Enterprises, Inc."

²⁸ *Brookfield Communications, Inc. v. West Coast Entertainment Corp.*, 50 U.S.P.Q.2d 1545 (9th Cir. 1999).

In November of 1998, Brookfield filed a lawsuit in California seeking a preliminary injunction against West Coast after West Coast announced in a press release the imminent launch of the moviebuff.com website. Brookfield lost at the District Court level. The Court held that Brookfield failed to establish it was the senior user. On an emergency motion to the Ninth Circuit, Brookfield appealed the District Court's ruling and included in its appeal that West Coast should be prohibited from using the mark MOVIEBUFF in the domain and in the metatags of its web page.

The Ninth Circuit found that Brookfield was in fact the senior user despite the earlier dated federal registration by West Coast. The Ninth Circuit identified three factors as being most important when addressing the issue of likelihood of confusion within the Internet context, these factors are: (i) the similarity of the conflicting marks, (ii) the relatedness of the competitors competing goods or services, and (iii) the simultaneous use by competing companies of the web as a marketing channel. The Ninth Circuit found that all three factors weighed heavily in favor of Brookfield and that the remaining factors would not affect its ruling. The court found no specific difference between the mark MOVIEBUFF and the domain name www.moviebuff.com since (i) web addresses are not sensitive to capitalization, (ii) ".com" serves as a utilitarian function to identify the site as a commercial site, and (iii) a portion of the domain name preceding ".com" is often used by companies as a second-level domain name communicating information as to the source of the site. Further, the Court held that the use of MOVIEBUFF or moviebuff.com in the metatags of West Coast's website is likely to result in initial interest confusion.

Initial interest confusion results when consumers who are led to a particular website realize that upon reaching this venue it is not the place they intended to go. Nonetheless, they patronize that venue rather than continue searching for the original venue. The Court likened the use of another company's trademarks in the metatags to posting a billboard along the freeway providing directions purportedly to a particular store when in fact that store is located at the next exit, but a store offering similar goods or services is found in its place. Most consumers will not bother to continue their search for that store, but will instead patronize the substitute store.

Finally, the Court recognized that it would be permissible for West Coast to use "movie buff" in the metatag code as "movie buff" is a descriptive phrase for "movie enthusiasts." This use would be fair use under the Lanham Act. The Ninth Circuit in this case did not create any new law, but reinforced the notion that traditional trademark law can and will be applied to the Internet.

There has been one case that has applied the ACPA to metatags. A plaintiff in New York brought an action

for trademark infringement and violation of the ACPA.²⁹ The Court held that the ACPA did not apply to metatags. On the face of the statute and the legislative history, this conclusion is apparent. The ACPA provides an action against one who “registers, traffics in, or uses a domain name.” The purpose in adopting the ACPA was to “protect consumers and American businesses . . . by prohibiting the bad faith and abusive registration of distinctive marks as Internet domain names. . . .”³⁰ Bihari alleged likelihood of confusion based on the use of Bihari’s registered trademarks in the metatags of other websites. The Court held that any likelihood of confusion is minimal, therefore denied the claim. The use of the registered trademarks in the metatags would draw potential consumers to that web page. However, the website at issue is used to critically evaluate the services provided by Bihari and therefore no reasonable viewer would believe that the comments regarding the business would be endorsed or originate from Bihari. Next the plaintiff claimed initial interest confusion would exist when one was searching for Bihari Interiors. A search revealed twelve websites, eight of which belonged to the defendant. Five of the eight bear the description stating that “this site deals with the problems experienced when hiring a New York City designer. It discusses Marion Bihari, fraud and deceit and. . . .” The Court held that both websites with the aforementioned heading would not cause initial interest confusion.

The court analyzed the relatively few decisions on metatag trademark infringement and concluded that they are based on very different circumstances. *Niton*, provides an example of the use of metatags to divert a competitor’s customer.³¹ Similarly, in *Asia Focus* the Court enjoined the use of the marks Playboy and Playmate in the domain name and metatags of the defendant.³² The defendants in these cases were attempting to divert potential customers away from Playboy’s website to their own. In each of the aforementioned cases, the defendant uses the plaintiff’s mark as a metatag to divert potential customers. The intent to divert customers is one of the bad faith factors under the ACPA, but a plain reading of the statute shows clearly that the Congressional intent is that it is to be applied to domain names only. Where metatag trademark infringement is present, only the traditional likelihood of confusion and dilution claims are available, which should be sufficient based on the current case law.

Key Words

The final two issues of trademark law and the Internet are closely related and both issues, like metatags, are

²⁹ *Bihari v. Gross*, 2000 WL 1409757 (S.D.N.Y. Sept. 25, 2000).

³⁰ Quoting S. REP. NO.106-140 at 4 (1999)

³¹ *Niton Court v. Radiation Monitoring Devices, Inc.*, 27 F. Supp.2nd 102 (D. Mass. 1998)

³² *PEI v. Asia Focus Int’l, Inc.*, 1998 WL 724000 (E.D. Pa. April 10, 1998)

ted to the use of Internet search engines.³³

An often-used baiting technique is called stealthing or spamdexing. Stealthing involves the insertion of hidden text into the background of a web page, which is invisible to the viewer, but visible to the search engine. The text is invisible to the viewer by appearing in the same color as the background. A search engine prioritizing search results by the number of times a keyword appears in the text of the web page may be tricked into assigning greater priority and therefore ranking higher a website that otherwise lacks any relation whatsoever to the subject of the keyword. To date, the author is not aware of any lawsuits based upon stealthing technology. Some disputes have arisen, but have not resulted in a court issuing an opinion. Infringement based on stealthing is a strong candidate for an initial interest confusion argument, similar to the *Brookfield Communications* case.

The final issue involves the use of keyword banner advertising. When a search term is typed into a search engine, the user often gets more information than requested. Not only does the user obtain a list of websites (the search results) that match the search term, but will often receive a banner advertisement above the search results that has been specifically linked to the search term. Playboy brought just such an action against Netscape Communications and Excite in the Central District of California.³⁴ Playboy claimed that its trademarks PLAYBOY and PLAYMATE were infringed upon when Netscape tied them (and approximately 450 other frequently used terms) to banner advertisements for hardcore Internet pornography.³⁵ The Court found that the advertising scheme of Excite did not use the trademarks Playboy and Playmate in an unlawful manner. The Court stated “the Defendant’s use of the words Playboy and Playmate in their search engines do not equate to commercial exploitation of Plaintiff’s trademark.” Under an infringement analysis, the Court stated that there is no evidence in the record that consumers were confused by the use of Playboy’s trademarks as to the source of the services by the Defendants. Under the dilution count, Playboy did not produce evidence of blurring or tarnishment sufficient to sustain a claim of dilution. Blurring requires that the defendant makes use of the mark on its products. There is no evidence in the record that Excite or Netscape have used the marks on their products. As for tarnishment, Playboy’s product line is constantly associated with other forms of adult entertainment and thus not susceptible to tarnishment.

Excite is one of many search engines that for a premium rate will cause a pre-selected banner ad to appear when certain search terms are used. Some search engine companies take this controversial approach of permitting a

³³ This raises the question of whether there may be indirect or contributory infringement by the search engines.

³⁴ *Playboy Enterprises International v. Netscape*, 2000 WL 1308815 (C.D. Cal. Sept. 13, 2000). Netscape purchased the assets of Excite.

³⁵ Playboy has consistently advocated that it does not sell hardcore pornography, but instead softcore pornography.

banner ad whenever a competitors trademark is used as a search term. It is estimated that search engines earn 20 to 30% of their ad revenues from keyword banner ads. The use by Excite of Playboy trademarks with banner advertising of third parties may be a form of comparative advertising. The people who buy the keywords are basically saying to the consumer “you are a person who is interested in Playboy. You might therefore be interested in our goods.” Use of trademarks in comparative advertising is permissible.

The other banner advertising case was brought by Estee Lauder against Excite and The Fragrance Counter.³⁶ Estee Lauder brought an infringement action for infringement of its perfume trademarks. The facts alleged in the complaint are when a user would utilize the Excite search engine by typing in “Estee Lauder” in the search window, along with the search results a banner advertisement for the Fragrance Counter would appear. The Fragrance Counter is not a licensed reseller of Estee Lauder perfume, thus the potential for initial interest confusion. The parties settled their U.S. dispute in September, 1999, however two foreign cases are still on going. Estee Lauder was successful at the trial level in Germany, but the case is currently in the appeals court. A decision has been not issued in the French lawsuit.

CONCLUSION

The legal issues surrounding the Internet are so dynamic and embryonic that legal practitioners struggle to counsel clients appropriately and to answer the often-asked question: “Is what I am doing an infringement of someone else’s intellectual property rights?” As with all areas of the law, the state and federal legislatures are slow in passing laws to regulate the Internet. But for a change this is a good thing, as the legislatures often don’t understand the technology, business practices and rarely analyze the future impacts of their decisions. When counseling the client on Internet issues, much of the advice and the chosen course of action will boil down to whether the client is willing to assume some level of risk, since for the most part no clear guidelines exist. Trademark infringement or dilution is just one of the issues facing a business who goes online, the client should consider a complete audit of its Internet business.

³⁶ *Estee Lauder v. The Fragrance Counter, Inc.* (S. D. N.Y, filed February 19, 1999)