

TRADEMARK PIRACY AND DILUTION – FROM BRICKS TO CLICKS

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I. From Bricks to Clicks

- A.** The evolution from the traditional bricks & mortar manufacturing and marketing model to an online, click-through environment presents new challenges for trademark owners in protecting their valuable brands against piracy and dilution.
- B.** What we really have today, of course, is a hybrid bricks AND clicks marketplace.
- C.** The objectives of this presentation are to:
 - 1. chart out the new features of today's legal, technical and marketing landscape that are most important to trademark owners;
 - 2. identify the resulting new challenges of the click-through environment;
 - 3. discuss how the courts are adapting traditional rules to deal with them; and
 - 4. offer suggestions as to how you, the brand owner, can effectively meet them.

II. Trademarks in the Supreme Court - The good news is, the Supreme Court has shown a high degree of interest in trademark cases in recent years. The bad news is, trademark owners have not been faring too well in the outcomes.

- A.** Supreme Court protectionism of trademarks reached its high water mark in Two Pesos and Qualitex.
 - 1. In the 1992 Two Pesos case, the Court found no reversible error in a district court jury instruction that allowed the jury to find the plaintiff's Mexican restaurant trade dress inherently distinctive and protectable as a trademark without proof of secondary meaning. Two Pesos, Inc. v. Taco Cabana, Inc. 505 U.S. 763 (1992).
 - 2. And In the 1995 Qualitex case, the Court held color alone could be registered

and protected as a trademark. Qualitex Co. v. Jacobson Products Co., 514 U.S. 159 (1995). This case involved the color green gold as a trademark for dry cleaning pads, and was decided on a strong record of acquired distinctiveness ("secondary meaning"), similar to the earlier Federal Circuit decision in In re Owens Corning Fiberglas Corp., 227 USPQ 417 (Fed. Cir. 1985).

B. It has been downhill since then, as the Supreme Court seems more interested in identifying limitations on the enforceability of trademarks than extensions thereof.

1. In the 2000 Samarra case, involving an alleged clothing design trade dress for various seersucker garments, the Court held that product-design trade dress can never be inherently distinctive. Justice Scalia, for the Court, distinguished Qualitex as based on acquired distinctiveness, and distinguished Two Pesos as involving not product-design, but either product packaging or a "tertium quid" (a third option). Wal-Mart Stores, Inc. v. Samara Bros., Inc., 529 U.S. 205 (2000).

2. In the 2001 Traffix, case, involving traffic signs designed to bend with the wind, the Court held an expired utility patent created a powerful evidentiary presumption that product configuration features are functional if they were previously subject to the expired patent, and thus unprotectable as trade dress. Traffix Devices, Inc. v. Marketing Displays, Inc., 532 U.S. 23 (2001).

3. In the 2003 Moseley case, an action by the VICTORIA'S SECRET brand owner to enjoin Victor and Cathy Moseley's from using the name and mark VICTOR'S LITTLE SECRET, the Court held that a successful action under the 1995 Federal Trademark Dilution Act requires a showing of actual dilution rather than a likelihood of dilution. 123 S.Ct. 1115 (2003).

4. In the 2003 Dastar case, the court held Section 43(a) does not prevent the unaccredited copying of a work whose copyright had expired, under the guise of a reverse passing-off claim, seeking to require authorship attribution to its original creator. Dastar Corp. v. Twentieth Century Fox Film Corp., 123 S.Ct. 2041 (2003).

III. Trademarks in the lower courts - The good news is, at the lower court levels the online environment has spawned creative new adaptations of traditional legal rules, and the courts are using them to deal with the novel situations presented to them for decision. There really isn't much bad news for trademark owners – as long as you understand what is going on. What are the new types of infringement and dilution and how are courts dealing with them?

A. New forms and places of infringement and dilution (and also new forms of non-infringement or dilution). It is important to appreciate the new ease of infringement and dilution - by web site content, metatags, domain names, and

undoubtedly by new methods that haven't even gotten onto our radar screens or into our court opinions yet. There are virtually no barriers to entry. The only limit is the imagination of the infringer. Edward S. Rogers, who in 1946 became the primary draftsman of the Lanham Act as chair of an ABA committee, wrote presciently of unfair competition in 1914: "It was necessary, therefore, [for the infringer] in some way to circumvent the law, and the infringer, being as ingenious as he was unscrupulous, set his wits to the accomplishment of this task." EDWARD S. ROGERS, GOOD WILL, TRADE MARKS AND UNFAIR TRADING 126 (1914).

1. Infringement by web site content.

- a** In web-based trademark infringement cases, the Ninth Circuit has distilled its traditional eight factor infringement test down into an "Internet Trilogy" of three factors: (1) similarity of the marks, (2) relatedness of the products or services, and (3) the parties' simultaneous use of the web as a marketing channel. If plaintiff cannot meet those three factors right away, the court will not consider the remaining traditional factors. Interstellar Starship Services, Ltd. v. Epix, Inc., 304 F.3d 936 (9th Cir. 2002).

2. Infringement by domain name cybersquatting and typosquatting.

- a** It probably costs less to register a domain name than to renew your drivers license, and cybersquatting on your established brands has become commonplace in the online age. Cybersquatting and typosquatting on your marks are such widely known and discussed unfair practices that only brief reference is necessary here.
- b** Congress responded by passing the Anti-Cybersquatting Consumer Protection Act (ACPA), 15 U.S.C. § 1125(d), and ICANN (Internet Corporation For Assigned Names and Numbers) reacted by creating its UDRP procedures (Uniform Dispute Resolution Procedures).
- c** Although not universal in scope, these laws and procedures tend to transcend many national boundaries, which is good news for American brand owners. The ACPA expands beyond in personam jurisdiction to incorporate in rem jurisdiction, and the ICANN UDRP procedures adopt a contract model to which registrars must adhere in order to be accredited.
- d** Both use a bad faith test for actionable misconduct that is a defined term of art, and differs significantly from the traditional trademark infringement criteria and the concept of bad faith used therein. When used in appropriate cases, ACPA and the ICANN UDRP actions can be very effective and cost-efficient elements of a trademark policing program.

3. Infringement by metatags

- a Metatags are data entered into the metacode underlying web site pages. They are not visible when web pages are viewed normally, but operate as "hooks" when search engines are grabbing responsive web sites. Unauthorized placements of brand owners' trademarks have already created a substantial body of new unfair competition case law.
 - b The key case here in the Seventh Circuit is Promatek Industries, Inc. v. Equitrac Corp., 300 F.3d 808 (7th Cir. 2002). A service provider used the OEM's trademark in its metatags but deleted them by the time the case went to decision. The parties still differed over the scope of the injunction and Judge Posner, amending the court's original opinion, held that the law does not prohibit one's trademark from EVER appearing in another's metatag, but they may do so only when a legitimate use of the trademark is being made.
4. Infringement by creating initial interest confusion
- a This is another technique, usually using either domain names and/or metatags, that has been adapted to the online marketing environment by infringers, and correspondingly a traditional legal doctrine that has been adapted to the practice by the courts.
 - b It is not really such a revolutionary new practice and legal theory as many may think. It is rooted in old-fashioned "bait and switch" sharp practices, and simply adapted to the online age.
 - c The seminal case was Brookfield Communications, Inc. v. West Coast Entertainment Corp., 174 F.3d 1036 (9th Cir. 1999), where the court enjoined use in metatags of the plaintiff video rental store's trademark MOVIEBUFF. The court likened this to posting a sign in front of your store with another store's name on it. Customers who entered under mistaken premises would quickly realize their mistake, but were likely to hang around for a while and buy something. Many courts now consider initial interest confusion as a pertinent theory in online infringement cases, particularly in view of the fact that the consumer typically learns quickly that he or she is not on the initially-sought web site.
5. But along with new forms of infringement, new forms of non-actionable uses are also mushrooming– nominative fair use, fan sites and gripe sites, just to name a few. You have to be very careful before initiating legal action against the owners of such sites, and critically evaluate whether they are causing you injury as a result of source confusion or otherwise, because you might have an extensive and PR-unfriendly First Amendment battle on your hands that may not really be harming you very much in the first place.

- a** Nominative fair use differs from statutory fair use under the Lanham Act, and is a permitted use of another's trademark merely to name the other party or its products or services. As a legal doctrine it is being applied in cases with increasing frequency. For example, in her long-running litigation with Playboy, Terri Welles, the 1981 Playmate of the Year, was ruled to have made only permissible, nominative fair use of PLAYBOY, PLAYMATE and PLAYMATE OF THE YEAR in the text, metatags and background graphics of her web site. The court found this to be fair use because Ms. Welles: (1) had no effective substitute terminology, (2) did not use the marks excessively or overly prominently, and (3) did not suggest or imply current sponsorship or affiliation. Playboy Enterprises, Inc. v. Welles, 279 F.3d 796 (9th Cir. 2002).
- b** Gripe sites have become quite commonplace, with content critical of the trademark owner or its products or services or business philosophy. Typically these sites are displayed at URLs built upon the trademark owner's name or mark, e.g., iposucks.com. (not a real site). It may not be effective to challenge these names or the content of such sites because of the likelihood of strong First Amendment arguments in defense. In Taubman Co. v. Webfeats, 319 F.3d 770 (6th Cir. 2003), the court held that a gripe site without any commercial links is not actionable under the Lanham Act.
- c** Fan sites and their ilk also have become commonplace, typically friendly sites with content praising the trademark owner or its products or services. The ICANN UDRP cases over fan sites have gone both ways, depending on the facts. See Kevin Spacey v. Alberta Hot Rods, NAF FA0205000114437 (decision against respondent using fan site with commercial link); Estate of Tupac Shakur v. _____ R.JU. _____ Barranco (tupac.com) <http://www.disputes.org/eresolution/decisions/0348.htm>,) (finding fan site did not violate ICANN UDRP, but not deciding if such use might violate trademark laws); Bruce Springsteen v. Bugar, D2000-1532, <http://arbiter.wipo.int/domains/decisions/html/2000/d2000-1532.html> (finding in favor of operator of fan site); and Edward Van Halen v. Deborah Morgan, D2000-1313 (2000)(edwardvanhalen.com), <http://arbiter.wipo.int/domains/decisions/html/2000/d2000-1313.html>, (registration of domain name for use as legitimate fan site not bad faith use under ICANN UDRP).
- 6. Infringements near and afar - Sue and be sued in more and more places.**
- a** Personal jurisdiction over legal actions complaining of online activities has become possible in places previously unexpected, turning into a civil procedure professor's dream. This has obvious implications for trademark owners promoting and selling under their brands internationally in today's global online marketplace.

- b** Dow Jones was sued for libel in Victoria, Australia, for criticizing an Australian national in online articles, published in its web-based Barrons' Online publication. The Australian High Court ruled the case was validly lodged there despite the absence of any Dow Jones presence in that country. Dow Jones & Co., Inc. v. Gutnick, [2002] HCA 56 (10 December, 2002).
 - c** Yahoo.com's litigation with the French government over the French legal prohibition against selling Nazi World War II memorabilia is widely known, and we may see, before too long, some litigation over France's new prohibition of using the English language term "email" rather than the preferred French language term "courriel." See the press report at http://news.findlaw.com/ap/i/1103/7-18-2003/20030718081503_23.html.
 - d** For an analysis of the U.S. case law and an argument that the tide is turning from the more open-ended rule of Zippo Mfg. Co. v. Zippo Dot Com, Inc., 952 F. Supp. 1119, 1124 (W.D. Pa. 1997) to a more restrictive focus on intentional interaction with the forum jurisdiction, see Widmaier, Jurisdiction and the Internet; The Constitutionality of In Rem Jurisdiction and the Decline of Zippo, 21 ABA IPL Section Newsletter, No. 3 at p. 7 (Spring, 2003).
 - e** This makes foreign protection of your most important brands through trademark registration and enforcement more important than ever. Foreign trademark registration may become somewhat less costly when the Madrid Protocol comes into effect in the U.S. on November 2, 2003. With a solid international trademark registration portfolio, you will be properly positioned to take effective legal action – and defend yourself – in online trademark disputes originating in foreign countries.
- B.** All these infringements and dilutements are particularly important to you, the trademark owners, because of the destructive effect that unauthorized third party uses of your name can have on the enforceable scope and very existence of your trademark rights. In Bliss Salon Day Spa v. Bliss World LLC, 268 F.3d 494 (7th Cir. 2001), the plaintiff Biliss Salon was a small day spa in Wilmette, Illinois, that had used the BLISS mark for many years. Defendant Bliss World was a chain that had subsequently registered BLISS for spas, beauty parlors, beauty products, a catalog and a web site. However, plaintiff's motion for a preliminary injunction within 100 miles of Wilmette was denied largely because the court found there were so many other BLISS marks, they were a "glut on the market."
- C.** In the worst case, your trademark could become a generic term, losing all legal protectability, if it becomes the common descriptive name for a type of product or service. In Nartron Corp. v. STMicroelectronics, Inc., 305 F.3d 397 (6th Cir. 2002), plaintiff sued on for infringement of its registered mark SMART POWER for electrical power circuits. Defendant produced evidence that "smart power"

was generally used in the trade and in the press to indicate integrated circuits including logic processes, and a 150 page chronology showing use of the mark in the trade, press, and federal trademark registrations. Plaintiff offered no evidence of policing its mark against misuse. The court denied relief on the ground that plaintiff's mark had become generic.

D. Information overload. How do you police it all?

1. A new generation of searching and watching service data vendors provide comprehensive lists of infringements, dilutements, and other misuses of your marks. You can get this information, but should you?
2. Argument pro - it's still out there even if you don't get it, and ignoring it does not make it disappear
3. Argument contra - why keep your own records that might help defendant prove your mark has lost distinctiveness or has been narrowed by extensive third party usage?

E. The solution is to get a reasonable amount of data but do something effective with it - couple it with a properly constructed enforcement program. You don't want to wind up like the SMART POWER plaintiff with a pattern of non-enforcement and an adversary in court with a lengthy exhibit showing how everybody else in your industry is using your mark either as a generic term or as a formative in their own trademarks or trade names.

1. The ease with which your brands can be used by others on the Internet gives new importance to policing and enforcing your trademark rights.
2. The basic solution is a smart and multi-faceted brand policing and enforcement program, combining methodical vigilance with objection letters, UDRP proceedings, trademark oppositions and civil actions for infringement; friendly correspondence with the owners of friendly though unaffiliated web sites, reaching licensing solutions or cooperative placements of trademark attribution notices as may be appropriate under the circumstances. Such a program can be a very cost-effective element of showing reasonable due diligence
3. Shallow-roots are another feature of many online infringements & dilutements. This makes it easier to stop a lot of them because they are not as deeply rooted in financial capital and advertising commitment as most infringements used to be in the bricks & mortar world. This new ease of enforcement in many cases is the flip side of the new ease of infringement and dilution. It is important to recognize that many – though definitely not all – online users of your brand do not regard themselves as infringers, or even inimical to your branding interests. Utilizing that psychology is important in

achieving a strong record of compliance with your policing demands.

4. Remember Judge Posner's opinion in the 1996 "March Madness" case, stating that reasonable and methodical policing approach is required to preserve trademark rights. In Illinois High School Ass'n v. GTE Vantage, 99 F.3d 244 (7th Cir. 1996), he upheld use of the term by two different parties and analogized to a mark's becoming generic, and noted the plaintiff's failure to take action against the conflicting use of MARCH MADNESS by CBS:

"[I]t could have sued them (with what success we need not speculate - a suit at this late date would be barred by laches) for using its trademark to promote CBS' broadcast of the NCAA championship. And it could have supplicated them not to spoil its trademark by using it to name something else. A serious trademark owner is assiduous in endeavoring to convince dictionary editors, magazine and newspaper editors, journalists and columnists, judges and other lexicographically influential persons to avoid using his trademark to denote anything other than the trademarked good or service. These efforts sometimes succeed. IHSA was not assiduous."

- F. So the solution is to use all the legal tools currently available to your advantage, be a diligent and assiduous trademark owner in protecting your rights, pick your battles intelligently and develop a solid pattern of successful enforcement. With such a record, you will be well positioned to meet the new challenges of the online, click-through marketing and legal environment.

IV. In closing, lest you think the answers are all simple, compare Judge Posner's more recent ruling in Ty, Inc. v. Perryman, 306 F.3d 509 (7th Cir. 2002), in which he vacated a judgment under the Federal Trademark Dilution Act enjoining the generic misuse of "beanies" for bean bag toys. He opined that a trademark owner could never enjoin a dictionary publisher from making generic misuse, and even that such actions might not be in the public interest, as language is enriched by generic terms that are derived from brands. Consider this another challenge of the modern legal landscape.