


Trademarks and Cyberspace
October 6, 2011


By: John J. O'Malley
www.vklaw.com
(215)568-6400

**Volpe
and
Koenig
P.C.**


© 2011 Volpe and Koenig, P.C.




Introduction



- The Internet is a platform for trademark and brand presence.
- Leads to novel problems in the area of domain name registration, social network usernames, and keyword advertising.
- Legal practitioners must monitor these areas to protect their clients' trademark rights.



Introduction to Domain Names



- A domain name is:
 - "[A]ny alphanumeric designation which is registered with or assigned by any domain name registrar, domain name registry, or other domain name registration authority as part of an electronic address on the Internet."
- Consists of two parts separated by dots:
 - For example, your-trademark.com
 - Rightmost part identifies the top-level domain (TLD) (".org" or ".com").
 - To the left of the TLD, is the "second level" of the domain name.

Domain Name Registration

- Electronic registration with an accredited Internet Corporation for Assigned Names and Numbers (“ICANN”).
 - Choose an appropriate second level domain name.
 - Domains can be registered and later renewed for as little as one year or as many as ten years.
 - After registration, there is a five-day window to delete the domain name.

Protections from Domain Abuse

- Strategies for protecting trademarks and brands from domain abuse by cybersquatters.
 - Domain registration watch services.
 - Inserting provisions in contracts prohibiting against unauthorized registration.
 - Defensive domain name registration.

Domain Name Disputes

- Cybersquatter Disputes under the Uniform Domain Name Dispute Resolution Policy (“UDRP”).
 - Mandatory fee based for all TLDs under contract with ICANN.
 - Trademark holder must assert:
 - (1) domain at issue is “identical or confusingly similar to the trademark or service mark in which the complainant has rights.”
 - (2) “domain holder has “no rights or legitimate interests in respect of the domain name.”
 - (3) “domain name has been registered and is being used in bad faith.”
 - Once trademark owner establishes these elements, may be awarded either the cancellation or transfer of the disputed domain name to the holder.

Domain Name Disputes (cont.)



■ Disputes under the Anti-Cybersquatting Consumer Protection Act (“ACPA”)

- ACPA is a prohibition against the registration, use and trafficking of domain names.
- ACPA provides for injunctive relief such as court-ordered cancellation or transfer of domain names.

Domain Name Disputes (cont.)



□ Monetary relief can include:

- Any damages sustained by plaintiff;
- Defendant’s profits;
- Costs of the action;
- Statutory damages between \$1,000 and \$100,000 in lieu of actual damages and profits; and
- Attorneys’ fees for exceptional cases.

Domain Name Disputes (cont.)



□ Under the ACPA, plaintiff must assert:

- (1) it has a valid trademark entitled to protection;
- (2) its mark was distinctive or famous at the time the domain name was registered;
- (3) the defendant’s domain name is identical or confusingly similar to, or in the case of famous marks, dilutive of, the owner’s mark;
- (4) the defendant used, registered, or trafficked in the domain name with a bad faith intent to profit.”

Domain Name Disputes (cont.)



□ ACPA provides a non-exhaustive list of nine factors to guide courts in determining bad faith.

- (1) the trademark or other IP rights of the person, if any, in the domain name;
- (2) the extent to which the domain name consists of the legal name of the person or is a nickname for that person;
- (3) the person's prior use, if any, of the domain name in connection with the bona fide offering of any goods or services;
- (4) the person's bona fide noncommercial or fair use of the mark in a site accessible under the domain name;

Domain Name Disputes (cont.)



- (5) the person's intent to divert consumers to another site for commercial gain or with the intent to tarnish or disparage the mark
- (6) the person's offer to transfer the domain name to the mark owner or any third party for financial gain without having used, or having a *bona fide* intent to use the domain name, or the person's prior conduct indicating a pattern of such conduct;
- (7) the person's provision of material and misleading false contact information when applying for the registration of the domain name;
- (8) the person's registration or acquisition of multiple domain names which the person knows are identical or confusingly similar to marks of others without regard to the goods or services of the parties; and
- (9) the extent to which the mark incorporated in the person's domain name registration is or is not distinctive and famous within the meaning of the ACPA.

Domain Name Disputes (cont.)



■ Safe Harbor

- The "safe harbor" defense under the ACPA provides that "bad faith intent . . . shall not be found in any case in which the court determines that the person believed and had reasonable grounds to believe that the use of the domain name was a fair use or otherwise lawful."
- "Reasonable grounds to believe" focuses on the objective reasonableness of the conduct. Thinking a use to be lawful is not "reasonable grounds to believe"

UDRP v. ACPA

- Advantages of UDRP:
 - Short time frame – disposition within 60-days.
 - Fraction of the cost of litigation under ACPA.
 - Generally no service of process issues.
- Disadvantages of UDRP:
 - Rulings can be unpredictable and inconsistent.
 - Do not handle complex issues such as priority of use or evidentiary issues as well.
 - No built in appeal process.
 - Limited relief granted:
 - Only transfer or cancellation of the domain name.

UDRP v. ACPA

- Advantages of ACPA
 - Strong remedies including injunctive relief and statutory damages.
 - Can also serve to reverse a potentially adverse decision in a UDRP proceeding.
 - ACPA expressly provides for protection of personal names, UDRP does not absent a showing that the individual has obtained trademark rights in the name.
 - Provides for *in rem* action against the domain name itself where the cybersquatter is beyond the personal jurisdiction of the court.
- Disadvantages of ACPA:
 - Like any litigation, ACPA actions can be expensive with no guarantee of success.
 - Although damages available, many cybersquatters are judgment proof.

New TLDS and the Virtual Landrush

- ICANN periodically adds new TLDS for domain name registration.
- This creates a virtual landrush to register domains related to trademarks and brands.
- ICANN implements a series of protections for trademarks holders.

The New “.xxx” TLD

- On March 18, 2011, ICANN voted to approve “.xxx” as a TLD for websites related to the adult entertainment industry.
- ICANN designated ICM Registry as the official registrar for “.xxx”, it put in place a three phase process for protection of trademark owners.

Registration Procedure for “.xxx”

- Pre-registration Phase – Sept. 7, 2011 to Oct. 28, 2011
 - Pre-registration trademarks and block third parties from securing specific “.xxx” domain names.
- Sunrise A Phase
 - Designed for those doing business in the adult entertainment industry.
- Sunrise B Phase
 - For applicants who own a valid trademark registration and the “.xxx” domain name must match the existing trademark registration.
- Second “Landrush” phase – Nov. 8, 2011 to Nov. 25, 2011
 - Applies only to those doing business in the adult entertainment community.
- Third “First Come” Phase – begins on Dec. 6, 2011

New gTLDs

- From Jan 12, 2012 to April 12, 2012, ICANN will allow applications for new generic Top Level Domains (“gTLDs”).
- This will allow for a multitude of possible gTLDs – for example, entities can seek to cover geographic locations (e.g., .philadelphia), brands (e.g., .dell), sports (e.g., .football), ethnic identifiers (e.g., .irish), industries (e.g., .restaurant), and professions (e.g., .lawyers).
- Application fees:
 - Initial application fee is \$185,000 with more fees likely arising.
 - Estimate for the cost of launching a gTLD vary from \$1-\$2 Million.

New gTLDs (cont.)

- Grounds for third-parties to object to a gTLD:
 - (1) the proposed gTLD is confusingly similar to an existing TLD;
 - (2) The proposed gTLD infringes existing rights of a third party;
 - (3) The gTLD violates international norms or morality and public order; or
 - (4) The proposed gTLD is unacceptable to the community affected by it.

Introduction to Social Network

- As of August 2011, 65% of adult Internet users are now using social networking sites:
 - Twitter, Facebook, LinkedIn, Etc.
- Social networking usernames are a new space for trademark infringement and dilution.

Facebook Terms and Policies

- Facebook's policies include:
 - "Statement of Rights and Responsibilities"
 - "Notice of Intellectual Property Infringement"
- Both can be used to report a user engaging in trademark infringement.
 - Prevent the use of Facebook for any "unlawful, misleading, malicious, or discriminatory" purposes.
 - Facebook "reserves the right to remove or reclaim a user name" if Facebook "believes appropriate (such as when a trademark owner complains about a username that does not closely relate to a user's actual name)."
- Unlike in domain disputes, factors used by Facebook to determine the "appropriate[ness]" of reclaiming a username are unclear.

Twitter Terms and Policies

- Twitter’s terms and policies include:
 - Terms of Service
 - “Twitter Rules”
 - Trademark Policy
 - Definition of a trademark policy violation:
 - “[u]sing a company or business name, logo, or other trademark-protected materials in a manner that may mislead or confuse others . . .”
 - Defines what is not a trademark violation:
 - “using another’s trademark in a way that has nothing to do with the product or service for which the trademark was granted . . .”

Trademark Disputes & Litigation Strategy for Social Networks

- Terms, policies, and rules are uncertain and ambiguous.
 - Best solution is to simply register the appropriate usernames on major social networks.
 - Maintain a presence on the social networks, as the usernames can be deactivated.
 - Report abuses to social network sites
 - Twitter and Facebook have forms specifically for trademark owners to report abuses.
- Litigation Strategy for Social Network Lawsuits
 - Tony LaRussa had to sue Twitter to obtain relief from a user impersonation.
 - Very few cases involving social media and trademarks.
 - Litigation may give infringing party much higher visibility than it would otherwise have.

Introduction to Keyword Advertisements

- What is a keyword advertisement?
 - Google AdWords is the most well-known and popular form of keyword advertising.
 - Advertiser use “keywords” to target specific advertisement to the relevant consuming audience.
 - The advertiser will give the advertising agency volumes of keywords that will be associated with a given ad.
- What happens if an advertiser uses a competitor’s protected mark as a keyword?

“Keywords” & Infringement

- Under Lanham Act, trademark holder must show:
 - “Use in commerce.”
 - Since 2009 Second Circuit case (*Rescuecom v. Google*), courts have generally been in agreement, that while not typical trademark use, the Lanham Act’s broad statutory definition of “use in commerce satisfied by use of trademarks as keywords.
 - “Likelihood of consumer confusion:”
 - Current battleground
 - Determination is very fact specific.
 - Conflicting rulings make assessing the risks associated with keyword advertising difficult.

“Keywords” & Infringement

- Search Engines as Defendants
 - Two theories of infringement.
 - (1) direct infringement, on the theory that the search engine is making an illegal use of the mark by selling the keyword;
 - (2) contributory infringement, on the theory that the search engine is liable for facilitating the advertiser’s direct infringement.

“Keywords” & Infringement

- **Rosetta Stone v. Google**
 - District court granted summary judgment in favor of Google, finding no reasonable trier of fact could find Google’s practice of auctioning Rosetta Stone’s trademarks as keyword triggers to third-party advertisers could create a likelihood of confusion as to source or origin.
 - Further, the court ruled that even if confusing, Google’s use of the trademarks to identify relevant information was functional and, therefore, noninfringing.
 - Rosetta Stone appealed to the Fourth Circuit. More than 30 companies and trade groups have joined as *amici*.

“Keywords” & Infringement

■ Recommendations

- Until the legality and scope of permitted keyword advertising is settled, companies cannot assume they are without risk of infringement just because their sponsored ad does not display their competitor's trademark.
- Keyword buyers will need to make sure their sponsored ads clearly identify their products as competitive and alternative choices to the trademark that was searched.
- Trademark owners, as part of their trademark enforcement program, should periodically search their marks to see who might be using the mark as a keyword, and whether the resulting sponsored ad might be misleading to consumers and require action to prevent consumer confusion.

Introduction to Jurisdiction & the Internet

- The act of placing information on the Internet or registering a domain name is not sufficient to subject that person to personal jurisdiction in each state in which the information is accessed.
- Must be established by an out of states person's Internet activity:
 - (1) directed at the forum state;
 - (2) intentionally causing injury that gives rise to a potential claim cognizable in that state; or
 - (3) purposefully availing itself of the privileges of conducting activities in the forum state when the defendant creates a continuing relationship and obligation with the forum state.

The Zippo Slide Scale Test

- Two-prong inquiry in which the court will consider both the medium and the content when making a determination of jurisdiction:
 - The “features of the website” and how the defendant used them.
 - Jurisdiction exists when there is an interactive website:
 - “[I]nvolve the knowing and repeated transmission of computer files over the Internet.”
 - No jurisdiction when there is a “passive websites.”
 - Where information is posted and users can only view and consumer it.
 - In between interactive and passive, courts will examine “the level of interactivity and the commercial nature of the exchange of information that occurs on the website to determine if there is jurisdiction.”

Conclusion and Recommendations



■ **General Recommendations:**

- Stay abreast of changes in the business and legal environment to enforce and maintain trademark rights.
- Register the appropriate domain names and social networking usernames.
- Think critically before filing suit and consider cost effective options like the UDRP and submitting disputes to a social networking websites.
- Monitor domain registrations and competitor's keyword advertisements for trademark infringement.
- Look out for the new trend in social networks and TLDs to register trademarks early and avoid disputes.

THANK YOU!

Volpe and Koenig, P.C.
United Plaza, Suite 1800
30 S. 17th Street
Philadelphia, PA 19103
215-568-6400
www.vklaw.com
jomalley@vklaw.com