

ASPATORE THOUGHT LEADERSHIP INTELLECTUAL PROPERTY LAW 2011

Top Lawyers on Trends and Key Strategies
for the Upcoming Year

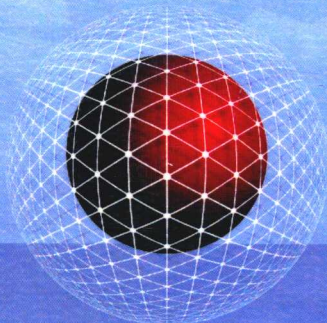
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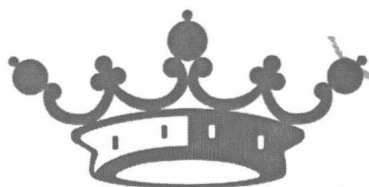
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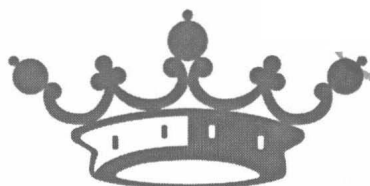
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Responding to Recent Developments in IP Litigation

Roberta Jacobs-Meadway

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Tiffany vs. eBay

A number of interesting decisions in the intellectual property (IP) area have come down over the past year. One of them is in the area of secondary liability—i.e., *Tiffany vs. eBay*, 600 F.3d 93 (2d Cir. 2010), from the Second Circuit Court of Appeals. In this case, Tiffany had basically sought to make eBay responsible for policing counterfeits on its online auction and sale site. It also pursued a false advertising claim against eBay for advertising that it was selling Tiffany merchandise, when some percentage of the Tiffany merchandise that was offered was, in fact, counterfeit rather than legitimate.

In this case, the Second Circuit court affirmed the decision of the district court that eBay was not liable for infringement for providing a marketplace where counterfeit products were sold.

Tiffany sought to use trademark law to compel eBay to cease allowing listings of Tiffany merchandise—real or fake—on the site by having the Court impose liability based on the failure to keep counterfeits off the site without having to be told what merchandise was reasonably believed to be counterfeit. Tiffany did propose some tests, all so broad as to preclude sale of legitimate Tiffany goods on this significant secondary market.

In addition to the Supreme Court precedent, that the Court read, reasonably, to require eBay to be given (specific) actual counterfeits, eBay satisfied the Court that it did in fact have an anti-counterfeiting policy that it took seriously. It did Tiffany no good that it took no action against counterfeiters it knew to be selling on eBay beyond its participation in eBay's own program. That eBay was taking steps to keep counterfeits off its site even without being notified by Tiffany, through its active policing program, clearly influenced the court below.

In its ruling, the Court said that based on the way contributory or secondary liability works, eBay has an obligation to respond to a notice of a specific infringement or a specific infringer, but the fact that they know that some infringements are taking place does not give them the obligation to identify every instance of infringement and take a specific action without having specific knowledge that a seller has counterfeit merchandise on the site at that time.

This ruling has a more generalized applicability—not just with respect to eBay, but to any other site that basically acts as an electronic marketplace. The takeaway from the standpoint of the brand owner is that policing responsibility has to be shared, and efforts to foreclose a secondary market will not be smiled upon. The most effective measure may be taken cooperatively rather than looking for the imposition of rules and liability.

The Google Keyword Case

There were also a number of important decisions finding that the Google keyword program represents use of a trademark, but it is not a violation of the Lanham Act, and there is no likelihood of confusion in cases where the keyword that is purchased does not appear on the screen.

There has been a great deal of litigation and conflicting decisions with respect to the sale of keywords. There were, for example, some decisions that found that the purchase and sale of keywords was not a trademark use because it was not associated with a good or service—you are basically selling a word. On the other hand, there were decisions that seemed to automatically conclude that the purchase and sale of keywords was a trademark use—i.e., a keyword is essentially a trademark which you are buying and selling, and there would be a likelihood of confusion if the keyword did not appear on the screen, because you are using someone's trademark to drive business to another site.

In recent times the courts have seemingly settled on an intermediate position that basically says: Yes, the purchase and sale of keywords is trademark use, but in the absence of something more than the purchase of a keyword to trigger an ad or a sponsor's listing, there is no likelihood of confusion, because Internet users are sophisticated enough not to be misled about the sites they are being directed to. *Rosetta Stone Ltd. v. Google, Inc.*, No. 09-cv-736, 2010 WL 3063152 (E.D.Va. Aug. 2, 2010). There are, in fact, ways to measure consumer response; however, you rarely see a survey involved in these keyword cases. Instead, we see attorneys arguing about what Internet users will think when they are using a search engine, and finders of fact deciding what Internet users will think or perceive when they are looking at a computer screen—and it is all speculation, because neither your average lawyer nor your average federal district judge is necessarily a

typical user of the Internet. Therefore, while objective evidence could be gathered in these cases, it is not happening.

Trademark Fraud Issues

Other recent developments of interest at the Trademark Trial and Appeal Board level included a resolution of the issue of fraud on the Trademark Office, which had been a very hot topic last year in anticipation of the *Bose* decision coming down. *In re Bose Corp.*, 580 F.3d 1240 (Fed. Cir. 2009).

In *Bose*, the Court of Appeals made clear that intent to deceive was an essential element of fraud and a mistake would not suffice, even if the person charged with fraud should have known the statement made was false. The specific issue involved a claim that the mark was in use on certain goods when the only “use” was that goods bearing the mark would on occasion be sent back for repair, repaired and returned. While it might be a stretch to consider this activity use of the mark in the ordinary course of business, the issue was not so clear as to render the proffered explanation one in such obvious bad faith as to warrant a finding of intent to deceive.

Based on *Bose*, the Trademark Office and Courts are moving away from *per se* findings of fraud such as the Trademark Trial and Appeal Board was making whenever a mistake was identified in a trademark application, a declaration of use, or an application for renewal in terms of the listing of goods or services covered. *Enbridge Inc. v. Exccelerate Energy Ltd. Partnership*, 92 U.S.P.Q.2d 1537 (TTAB Oct. 6, 2009); *Asian & Western Classic B.V. v. Selkow*, 92 U.S.P.Q.2d 1478 (TTAB Oct. 22, 2009)

Now, as previously, the rule is that fraud has to be proved to the hilt; intent to deceive is an essential element of fraud, and a mistake does not rise to the level of fraud.

This has freed the Board from the position it had gotten into, a position where it was finding fraud almost as a matter of course once a mistake was identified—the logic being that because the applicant had signed off on or authorized the signing of a declaration of use, they knew or should have known that the goods were or were not being sold under the mark at the critical date. Recently, the Board refused to find fraudulent intent as long as

the applicant was relying on advice from counsel. *M.C.I. Foods v. Brady Bunte*, Canc. Nos. 92045959 and 92046056, (TTAB, Sept. 13, 2010). Therefore, we have come back full circle to where the law was previously—i.e., a finding of fraud requires an intent to deceive.

Political Issues in the IP Realm

We are also starting to see more IP claims involving political campaigns with respect to the use of domain names and cybersquatting, as well as copyright claims related to use of videos and music and photographs, as some candidates look to gain an advantage over other candidates. Issues involved in these cases include whether or not there is a fair use in terms of setting up what might be considered “ambush sites”—i.e., when you drive traffic to an opposition site by using the name of the other party’s candidate. Such cases involve some interesting conflicts, because you are dealing with the tension between the First Amendment and political campaigns, the domain name/cybersquatting realm, and the issue of material misrepresentations.

If I am looking for my candidate’s site and I am drawn to a site that is a negative attack site, I can figure that out pretty quickly. I may have been delayed by about two seconds in finding where I wanted to go, but it is unlikely that I am going to be confused about my destination. However, a less sophisticated Internet user could be confused by this type of misrepresentation. Therefore, there is a sense that directing people to an attack site is an unfair practice; consequently, if you are going to set up an attack site, there should be something in the URL that identifies that it is such a site.

The rulings in earlier cases in this area went in both directions. For instance, there was no violation found in the *Jerry Falwell* case, *Lamparello v. Falwell*, 420 F.3d 309 (4th Cir. 2005), because the intent of the site in question, a critique of Jerry Falwell, was very clear. However, in the *PETA.Org* case, *People for the Ethical Treatment of Animals v. Doughney*, 263 F.3d 359 (4th Cir. 2001), while it was very clear that the site was intended to be a parody, (People Eating Tasty Animals) a violation was found, because there was nothing in the URL that said in effect, “This is an attack/parody site.”

However, in most of these cases, particularly in the political context, the First Amendment considerations are likely to outweigh the trademark/domain name considerations—at least if it is very clear who the sponsor is when you first get to the site, and that the content is, in fact, negative; as opposed to a case where you would be drawn into the site by the URL, and when you got to the site, its purpose was not clear. Fortunately, the courts tend to avoid bright-line tests in areas where the facts can be very variable.

The copyright/First Amendment tension is less evident, and the campaign's rights are not nearly so clear, when music is used with permission. It is, after all, not the content of the music that is protected speech in most cases.

The use of videos is a clearer, virtually parade example of fair use, even when a significant portion of a video is used, in the context of an attack on an opposing candidate. Copyright should not be used to attempt to suppress political debate.

Copyright Infringement when Downloading Music

There have also been some important cases on copyright damages in recent times. For instance, the Supreme Court recently asked for some additional briefing in a case involving whether or not the “innocent infringer” status can be claimed by people who have been found to be illegally downloading music. *Maverick Recording v. Harper*, 598 F.3d 193 (5th Cir. 2010). Under the way in which the copyright statute has been drafted, if the copyright proprietor puts a notice on a published work, someone who then copies the work cannot claim to be an innocent infringer. However, when you are dealing with music downloading, the person who is doing the download does not have the CD, which would have the copyright notice on it, in front of them.

Similarly, if you are going to be lawfully downloading music on a site such as iTunes, by way of example, and you want to know something about a particular piece of music, you can get the copyright information on the site. However, if you are downloading music illegally from an unauthorized site, you never see the copyright information. Therefore, you are not an innocent infringer, even if you did not “know” that the work was subject to copyright protection.

The difference is significant to the extent that it affects the damages that are available—i.e., \$200 as opposed to \$750 per song. However, the question is whether that is a meaningful distinction if you are talking about a sixteen-year-old who has downloaded 1,000 songs and is facing a penalty of either \$20,000 or \$75,000—if he or she does not have the ability to pay one fine, he or she probably cannot pay the other. This fact highlights a key issue that has come up with respect to statutory damages—i.e., even if the award that was permitted against someone who has been illegally downloading music is in the range of the statute, it can still be constitutionally excessive. The song itself might be available for purchase at a price of \$0.99 or \$1.25. Therefore, the penalty for illegally downloading, whether it is \$200 or \$750 per song, could be seen as wildly excessive. Some of the judgments in this area are in the range of six figures; therefore, you may be dealing with a case where the award is so disproportionate to the actual damage done by a particular infringer that the question arises as to whether or not there is a constitutional issue at stake. In fact, some courts have struck down awards as raising constitutional issues for being excessive, even though they are within the statutory range, which gives rise to an interesting tension—and also suggests that perhaps it is time to revisit the statutory scheme.

Implied Endorsements

We are also starting to see some interesting cases in terms of implied endorsements—i.e., responsibility for what is posted on sites such as Facebook, and the issue of how to police the misuse of your client's mark in the social networking context. There are few cases in this area at this point, but the issue is certainly real and has been discussed. The Federal Trade Commission (FTC) has some new guidelines that are now in place (The Federal Trade Commission *available at* <http://www.ftc.gov/os/2009/10/091005revisedendorsementguides.pdf>; Last visited on October 28, 2010.) The new guidelines are being enforced in terms of having to disclose what are basically considered to be sponsored endorsements on social networking sites—i.e., endorsements that are paid for, whether in cash or goods.

I believe an interesting tension is going to develop as people increasingly go to the Internet for reviews and comments about various products. Therefore, companies need to be more cautious in terms of who is saying

what about their brand. It has been shown that if you are an advertiser on a review site such as Yelp, your reviews tend to rise a bit higher in the listings, and the question is whether that type of practice is potentially a violation of the FTC guidelines—at least in spirit—and whether such practices could be viewed by a competitor and attached as a form of unfair competition.

Communicating with Clients: Answering Key Questions

One of the results of the recent fraud decisions from the Trademark Trial and Appeal Board, as well as the *Base* case, is that many attorneys are starting to look for more proof of use from their clients. Rather than simply accepting any information provided, there has been more of an effort to confirm the information that is being provided and then passed on. By way of example, while the Trademark Office accepts one specimen of use for one of the goods listed in a class of goods, counsel is asking clients to provide a specimen of use for each of the goods listed in the identification of goods.

Also, with respect to cases involving keyword programs, there has been less of a tendency for lawyers to say either “thumbs up” or “thumbs down” with respect to certain practices. Lawyers are increasingly looking at the facts in these cases in terms of what would appear on the computer screen and how it would be construed, rather than simply saying, “Yes, you can do that in this jurisdiction,” or “No, you cannot do that,” because the determinations in these cases have become much more fact-specific and less lockstep in terms of what is presented. It is important to consider what is appearing on the screen in the appropriate context in order to determine whether there is a likelihood of confusion.

There have been a number of other new developments on the trademark/copyright side of IP law that highlight the need for regular communication between counsel and client and a sharp watch on the use and possible misuse of intellectual property. There is by way of example a new emphasis on mismarking or false marking on the patent side with respect to the *qui tam* actions that have been filed. For instance, there was a case involving Brooks Brothers’ bow ties being marked with an expired patent, and one who was essentially a stranger to the whole situation was able to file a claim against the company and establish an entitlement to secure an award. *Stauffer v. Brooks Brothers Inc.*, 619 F.3d 1321 (Fed. Cir.