NEAL & MCDEVITT®

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In this edition:

- **N&M welcomes Liz Kunkle**
- **Exercising caution before suing for copyright infringement**
- **Protecting your brand from online counterfeiters**
- **Understanding the risks of keyword advertising**

NEAL & MCDEVITT® Welcomes Liz Kunkle

NEAL & MCDEVITT, LLC is happy to welcome Elizabeth (Liz) L. Kunkle as Of Counsel. Liz joined our firm in April 2009 after spending the past five years at Brownstein Hyatt Farber Schreck, LP in Denver, Colorado.

Liz's practice continues to focus on domestic and international trademarks and brand management, including prosecution, enforcement, and transactional matters. She also continues to expand her representation of wine industry clients. Liz is a member of the Family Winemakers of California and the Wine Institute.

With the addition of Liz to our team, NEAL & MCDEVITT is excited to expand our service to the wine industry.

Liz can be reached at ekunkle@nealmcdevitt.com or at 847.881.2454.

Federal Court's Finding of Frivolousness Brings Caution to Copyright Holders

Generally, the owner of a copyright registration may enforce its rights by bringing an infringement action against a would-be infringer. However, one court's recent ruling may send caution to copyright owners moving forward.

In *Banzai, Inc. v. Broder Brothers Co.*, Civ. No. 08-813 (E.D. Pa. May 7, 2009), a plaintiff claimed ownership of two registered copyrights in spiral tie-died t-shirt designs, one in red, white and blue pattern and the other in orange and yellow pattern. The defendant produced similar tie-died shirts in a variety of colored swirl designs. The plaintiff claimed that the defendant's design infringed its copyrights.

The defendant asserted that the plaintiff did not have a protectable work, and it sought costs and fees associated with defending the lawsuit.

Under copyright law, a registered copyright entitles the plaintiff to a presumption of copyrightability its work.

Section 410(c) of the Copyright Act, 17 U.S.C. § 410(c), provides that "the certificate of a registration made before or within five years after first publication of the work shall constitute *prima facie* evidence of the validity of the copyright and of the facts stated in the certificate."

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Caution for Copyright Holders (cont'd)

However, the *Banzai* court cautioned that copyrightability is subject to challenge:

"The issuance of a certification by the Copyright Office does not resolve the question of whether an item is copyrightable; in the context of a challenge that a work lacks sufficient creativity to receive copyright protection, registration merely places the burden on the defendant to prove that the work is not copyrightable."

On dueling motions for summary judgment, the court held in favor of the defendant, finding that the selection and ordering of colors in plaintiff's works lacked the minimum creativity to be regarded as original. In granting the defendant's motion for summary judgment, the court, in its discretion, awarded fees and costs to the defendant on the grounds that the plaintiff's suit was frivolous, despite its having secured copyright registrations in the works.

This case represents a rather extreme view of frivolousness. The plaintiff owned two copyright registrations and was entitled to a presumption of validity in its work. The court seemed completely unimpressed with any creativity in the plaintiff's designs and essentially chastised the plaintiff for attempting to enforce its rights.

While this case may be ripe for appellate review, copyright owners should be cautious in pursuing an infringement action if there is significant doubt about the validity of their copyright.

Brand Owners Must Police Their Marks for Potential Counterfeiting on the Internet

The recent decision in *Tiffany Inc. v. eBay, Inc.*, 576 F. Supp. 2d 63 (S.D.N.Y. 2008), underscores the importance of monitoring and policing the unauthorized use of one's trademarks and service marks on the Internet.

Tiffany asserted that eBay was liable for, among other claims, contributory trademark infringement for allowing third party sellers to market and sell counterfeit Tiffany products, including its silver jewelry, via eBay's auction site. Tiffany also asserted that eBay committed direct trademark infringement by using the TIFFANY marks in its Internet advertising for the eBay listings.

Tiffany did not authorize sales of its jewelry via online auction sites such as eBay. Nor did Tiffany authorize sales via overstock sites or via liquidators. Instead, Tiffany sells its goods exclusively via TIFFANY-branded retail stores and through its own website.

A trademark owner such as Tiffany, however, has no power to prevent a consumer from reselling a legitimately purchased good on an auction site such as eBay.

Nevertheless, certain sellers were offering counterfeit Tiffany goods on eBay, which were advertised using the TIFFANY marks. While Tiffany successfully targeted many of the actual counterfeit sellers, it sought action against eBay because, in Tiffany's opinion, eBay had not done enough to prevent counterfeiting.

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Counterfeit Policing (cont'd)

eBay defended by stating its policies on counterfeiting. eBay requires sellers to agree to its User Agreement, and eBay can take action against violators of that Agreement, including suspension or termination of their account

eBay described the specific fraud prevention policies it utilizes, including investments of nearly $20 million per year in counterfeit prevention, nearly 4,000 employees dedicated to "trust and safety" issues, and more than 200 employees solely dedicated to combating infringement.

eBay also had software programs to detect counterfeit listings, including a "fraud engine" and a Verified Rights Owner program. eBay also reserved the right to remove listings that were flagged as counterfeit.

In contrast, Tiffany had a relatively limited investment in counterfeit prevention measures. Tiffany invested, on average, only 0.5% of its net sales on combating counterfeiting, with a limited staff presence dedicated to these issues.

Perhaps not surprisingly, the court held that Tiffany, not eBay, bore the ultimate burden of policing its marks and preventing counterfeit sales. As the brand owner, Tiffany was in the superior position to monitor and prosecute would-be counterfeiters and other infringers.

Thus, the court held that eBay was not liable for contributory infringement, even though it theoretically could have been liable based on its control and monitoring. Instead, the court held that eBay appropriately monitored listings and acted responsibly in removing objectionable material.

Additionally, eBay was not liable for direct infringement by using the TIFFANY marks in advertising its listings, as that use was held to be a nominative fair use.

The implications of *Tiffany v. eBay* for auction site owners are rather straightforward: site owners should implement common-sense policing and reporting policies and follow them diligently.

For brand owners, there are several lessons to be gained from *Tiffany v. eBay*:

- The mark owner bears the burden of monitoring counterfeit use and potential infringement based on its superior ability.
- Not only must the owner monitor unauthorized use, the owner must also prosecute infringers.
- Owners should take advantage of abuse reporting systems to have infringing or counterfeit materials removed.

Counterfeit goods such as designer bags are commonly found on auction sites.

Mark owners bear the ultimate burden of monitoring and policing their marks online.

NEAL & MCDEVITT®
Intellectual Property & Marketing Attorneys

Keyword Advertising and Potential Trademark Infringement Liability

Use of another company's trademark as a keyword search term is a "use in commerce" that could trigger trademark infringement liability.

Many of today's most popular search engines, such as YAHOO!® and GOOGLE®, offer companies the opportunity to buy keywords to prompt desired search results.

For instance, a sporting goods manufacturer may seek purchase of keywords such as "tennis rackets," "bicycle," and "golf clubs." The purchase of these terms often results in a company being listed near the top of the search results as a "sponsored link."

Potential trademark liability comes into play when a company attempts to buy a competitor's mark as a keyword. For instance, the sporting goods company could attempt to use the following marks as keywords: WILSON®, BRUNSWICK® or RAWLINGS®.

The majority of the courts have held that a competitor's use of another party's registered trademark as a keyword search term constitutes trademark infringement, because that use is a "use in commerce" in a way that could confuse consumers as to the source of the registered trademark owner's goods or services. Additionally, the search engine provider could be liable for infringement of its own by suggesting the use of a competitor's trademark.

A recent case in the Second Circuit demonstrates the potential liability of these practices. In *Rescuecom Corp. v. Google, Inc.*, 562 F.3d 123 (2d Cir. 2009), the plaintiff owned the registered mark RESCUECOM for computer repair services. Google allowed competitors to purchase the term "Rescuecom" through its AdWords advertising program. Additionally, Google suggested the term "Rescuecom" to advertisers via its Keyword Suggestion Tool. Thus, a user who typed in "Rescuecom" would encounter sponsored links of Rescuecom's competitors.

On appeal, the Second Circuit reversed the district court's dismissal of the case, stating that Google's actions amounted to "use in commerce" by actively offering the RESCUECOM mark for purchase in a way that could potentially confuse consumers.

The case appears to resolve a split of authority among the federal courts concerning whether use of a party's mark as a keyword search term was use in commerce, sufficient to trigger trademark liability. The court went on in dicta to provide a detailed analysis of the phrase "use in commerce," and clamored for Congress to clear up its ambiguous meaning in the context of the Lanham Act.

The *Rescuecom* case reaffirms the position that a search engine provider cannot actively sell another party's registered mark to a competitor for use as a keyword in advertising. Additionally, competitors are not allowed to use a competitor's mark to influence Internet search results.

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The Risks of Keyword Advertising, cont'd

Note, however, that while competitors are limited in their use of a competitor's mark as a keyword, Google recently amended its policy regarding the use of brand names in ad text by authorized distributors and retailers.

For example, a service such as Expedia.com can use marks of suppliers such as SOUTHWEST® or AMERICAN AIRLINES® in its ad copy because it legitimately offers discounted airfare services from those brands.

Google's change in policy does not affect the law on keyword advertising but is an alternative method of use of another's registered trademark that could be challenged in the future.

About NEAL & MCDEVITT®

NEAL & MCDEVITT, LLC, is a Chicago-area based intellectual property, marketing and information technology law firm specializing in all aspects of trademark, copyright, unfair competition, marketing, advertising, promotions, IT and Internet law. NEAL & MCDEVITT'S goal is to effectively provide our clients with experienced, comprehensive and decisive legal counsel.

We represent clients from across a broad spectrum of fields, ranging from individuals and start-up companies to some of the world's largest corporations. By becoming an integral part of our clients' legal and marketing teams, NEAL & MCDEVITT provides unparalleled personal attention and service, enabling our clients to reach their business and legal goals.

The combined expertise of NEAL & MCDEVITT, and our ability to collaborate with your team, builds a personal partnership. We ensure that your worldwide intellectual property rights are well protected and your advertising and promotions efforts meet the standards and regulations of an ever-changing legal landscape.

If you have any questions about the materials printed here, please contact Jeremy Roe at jroe@nealmcdevitt.com.

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