

ADDITIONAL DEVELOPMENTS—TRADEMARK

CABLE NEWS NETWORK LP, LLP v. KHOURI

UDRP case no. 117876 (Dec. 16, 2002) (Nat'l Arb. Forum)

DLUHOS v. STRASBERG

321 F.3d 365 (3rd Cir. 2003)

Two recent cases examined the reach of the Uniform Domain Name Dispute Resolution Policy (UDRP). In *Cable News Network LP, LLP v. Khouri*, the National Arbitration Forum ("Forum") ruled that an online news provider called "Channel News Network" violated the UDRP rules by registering hundreds of domain names starting with "CNN", a service mark well known for the news and information services of Cable News Network (CNN).

Channel News Network ("Channel") is a Lebanon-based company providing online news coverage of the Middle East. Through U.S. registrars, Channel has registered over 325 domain names, such as "cnn-mexico.com" and "cnnafrika.com," all in the form of "cnn + x.gTLD," where x is a geographic or other identifier and gTLD is a generic top level domain (e.g., ".com" or ".org"). The Forum ruled against Channel and ordered all the disputed domain names transferred to CNN. First, the Forum found sufficient similarities between each of the disputed domain names and the CNN mark. The arbitrators reasoned that merely appending a suffix is insufficient to dispel confusion because CNN has formed its own domain names in a similar manner. Second, the Forum ruled that Channel does not have any legitimate rights or interests in the disputed domain names. In the Forum's view, Channel chose hundreds of domain names containing the well-known CNN mark with a clear intention to exploit Internet users' confusion. Last, the Forum found that Channel registered and used the disputed domain names in bad faith.

In the second case, *Dluhos v. Strasberg*, the Third Circuit decided on whether a dispute resolution under the UDRP is entitled to the "extremely deferential" standard of judicial review applicable to most arbitration awards.

Dluhos registered the domain name "leestrasberg.com," invoking the name of the renowned acting coach. Strasberg's estate brought a complaint to the National Arbitration Forum, which ruled against Dluhos in a dispute resolution under the UDRP. Dluhos then challenged the constitutionality of the dispute resolution process in federal court. The district court applied the "extremely deferential" standard of judicial review set forth in the Federal Arbitration Act ("FAA") and dismissed Dluhos' complaint for failure to state a claim.

Dluhos appealed. The Third Circuit reversed, holding that the UDRP dispute resolutions fall outside the limited scope of the FAA. The court reasoned that under the UDRP's unique contractual agreement, the dispute-resolution mechanism does not constitute "arbitration" under the FAA. First, the court found the UDRP proceedings are not intended to replace litigation, but rather to provide quick, independent judicial resolution. Second, because a UDRP proceeding is not a mandatory step before a party seeks independent judicial review, it is unlike traditional arbitration. The court remanded the case to the district court with instructions to review the resolution de novo under the Anticybersquatting Consumer Protection Act.

PROMOTEK INDUS., LTD. V. EQUITRAC CORP.*300 F.3d 808 (7th Cir. 2002)****HORPHAG RESEARCH, LTD. V. PELLEGRINI****337 F.3d 1036 (9th Cir. 2003)*

In a pair of cases decided by the Seventh Circuit and the Ninth Circuit, the appellate courts ruled that unauthorized use of a trademark in a metatag constituted trademark infringement. A “metatag” is HyperText Markup Language (HTML) code that describes the content of a website. Due to the way some search engines use them, metatags determine how many hits a web page receives and ultimately how the web page is prioritized on the results list.

In the first case, plaintiff Promatek and defendant Equitrac were competing cost-recovery equipment suppliers. Equitrac’s website contained the term “Copitrack” as a metatag because Equitrac provides maintenance and service on Copitrak equipment (a product used in the cost-recovery business). Promatek, owner of the Copitrak trademark, filed suit against Equitrac seeking a preliminary injunction preventing Equitrac from using the term Copitrack. The district court granted the injunction and ordered Equitrac to provide the Promatek and Copitrak web addresses and state on its website that any link between its website and Copitrack was in error. Equitrac appealed and argued that the court should not have issued the injunction without an evidentiary hearing. It also claimed that the required statement would encourage customers to go to Promatek’s website, and that would harm Equitrac’s business.

The Seventh Circuit affirmed. In assessing the likelihood of success on the merits, the court found that there is strong likelihood of consumer confusion from Equitrac’s use of the Copitrack metatag. Specifically, the court found that the use could lead to consumers’ initial interest confusion, which is actionable under the Lanham Act. The court also found that Equitrac’s use of the trademark caused ongoing injury to Promatek’s goodwill, for which Promatek had no adequate remedy at law; therefore, Promatek would suffer irreparable harm. Third, the court found that the harm to Promatek in denying the injunction outweighed the harm to Equitrac in granting it. Since Equitrac lacked evidentiary support for its claims, the court rejected Equitrac’s claim that the remedial language on its website would damage Equitrac and that an evidentiary hearing was unnecessary. In addition, the court found that the injunction would benefit the public interest by preventing consumer confusion. The court noted that websites are limited to legitimate uses of trademarks in metatags, such as including press releases of litigation, placing comparison claims or advertising ability to service the trademarked product.

In *Horphag*, plaintiff owned the trademark “Pycnogenol” for its pine bark extract product. Defendant Garcia, who ran a website which sells pharmaceutical products, repeatedly used “Pycnogenol” as a metatag. Horphag sued for trademark infringement and dilution. The district court granted Horphag’s motion for judgment as a matter of law and awarded attorneys’ fees to Horphag. Garcia appealed.

The Ninth Circuit affirmed the trademark infringement judgment and the award of attorneys’ fees. The court found ample evidence on the record supporting the finding of unauthorized use of the trademark by Garcia. In addressing Garcia’s fair use defense, the Ninth Circuit separated the defense into a “classical” fair use defense and a “nominative” fair use defense. Since “Pycnogenol” does not have a descriptive meaning, the “classi-

cal” fair use defense did not apply, since it is only available when the primary descriptive sense of the mark is used instead of its secondary meaning. With the “nominative” fair use defense, the court required Garcia to satisfy three factors: (1) the product must not be readily identifiable without use of the mark; (2) only so much of the mark could be used as was reasonably necessary to identify the product; and (3) the user must have done nothing that would, in conjunction with the mark, suggest sponsorship or endorsement by the trademark holder. The court concluded that Garcia at least failed to meet the third factor. The court also held that the record evidencing Garcia’s willful and deliberate actions supported the award of attorneys’ fees.

The Ninth Circuit, however, vacated the district court’s judgment on the trademark dilution claim. Since the district court did not have the opportunity to consider the facts of this case with regard to the standard recently articulated by the Supreme Court in *Moseley v. V Secret Catalog, Inc.*, 537 U.S. 418 (2003), which interpreted the Federal Trademark Dilution Act to require proof of actual dilution, the Ninth Circuit remanded that claim for reconsideration.

*TAUBMAN CO. V. WEBFEATS**319 F.3d 770 (6th Cir. 2003)*

The Sixth Circuit ruled that the First Amendment protected noncommercial use of Internet domain names similar to another party's trademark, and that Internet domain names are a type of public speech that can be used for critical commentary.

Plaintiff Taubman was building a shopping mall called "The Shops at Willow Bend." Defendant Mishkoff registered the domain name "shopsatwillowbend.com" and created a website at that address. Mishkoff's website contained information about the mall and its individual stores. His website also contained a prominent disclaimer, indicating that the site was unofficial, with a link to the mall's official website. Except for a link to a company run by Mishkoff's girlfriend and a link to Mishkoff's website for his web design business, "shopsatwillowbend.com" had no other commercial content. Taubman sued Mishkoff for trademark infringement upon learning of the site. Mishkoff responded by registering five more domains with "complaint names," such as "taubmansucks.com." The five "complaint" domain names linked to the same site where Mishkoff provided information about the ongoing suit.

The district court granted Taubman's motion for a preliminary injunction, enjoining Mishkoff from using the original domain name as well as the five "complaint" domain names. Mishkoff appealed, and the Sixth Circuit reversed.

The Sixth Circuit noted that for Taubman to succeed on the merits of its Lanham Act claim, Mishkoff's use of the "shopsatwillowbend.com" domain name needed to (1) be commercial in nature and (2) cause a likelihood of confusion. The court stated that Mishkoff's site contained little commercial content at the time of injunction, since Mishkoff had removed the link to his girlfriend's company's website prior to the issuance of the injunction and had promised to not use the site for any advertising purpose. The court also found that Mishkoff was not a habitual cybersquatter, selling domain names for profit. The Court therefore held that Mishkoff's use of the name "shopsatwillowbend.com" was not "in connection with the sale of goods." Furthermore, the court found that even if Mishkoff's use of the domain name was commercial speech, it was unlikely to cause consumer confusion because of the disclaimer on the site. On the contrary, the court held that the disclaimer might serve to re-direct lost consumers to Taubman's site, as it linked to the official site.

With regard to the "complaint names," the Sixth Circuit held that they were purely exhibitions of free speech. The court regarded domain names as a type of public expression, similar to a billboard or a pulpit. It stated that even if the intended effect of Mishkoff's expression was to cause economic damage, the First Amendment protects critical commentary when there is no confusion as to source. Since the complaint domain names were not commercially misleading, the court held that the plaintiff could not invoke the Lanham Act to prevent the use of those domain names.

TY INC. V. PERRYMAN*306 F.3d 509 (7th Cir. 2002)*

The Seventh Circuit curbed the use of trademark law to impede secondary market sellers from using manufacturers' trademarks in their marketing efforts.

Ty Inc. ("Ty") is the maker of popular beanbag stuffed animals known as "Beanie Babies." Ruth Perryman was primarily marketing Ty's Beanie Babies, but also some "other beanies" on her Internet website, www.bargainbeanies.com. Particularly concerned over the similarity of Perryman's domain name to Ty's own trademark, Ty filed suit claiming that Perryman violated 15 U.S.C. § 1125(c), the federal trademark antidilution statute. The district court granted summary judgment to Ty and granted an injunction forbidding Perryman from using the word "beanie" in her business dealings. She appealed from this decision and argued that "beanie" had become a generic word that could not be protected by trademark law.

Judge Posner, writing for the Seventh Circuit panel, vacated the lower court ruling and remanded for the formulation of a proper injunction, finding that a manufacturer cannot use trademark law to stop secondary market sellers from marketing the trademarked product. Citing reasons of impracticability and unfairness, the Seventh Circuit concluded that secondary market dealers need to use the trademarked name to sell a branded product. The court likened the prospect of barring Perryman from using the word "beanie" to that of a used car dealer not being able to use the word "Toyota" in its advertisements. Because Ty's trademark name is "suggestive" of the very nature of the product, the court also implied that the company may soon have to look for a new trademark. Finally, the court found that using the label "other beanies" to denote non-Ty products was false advertising and ruled that an injunction pertaining to those uses of "beanie" would be proper.

