ADDITIONAL DEVELOPMENTS—TRADEMARK

PRO-IP ACT OF 2008

Pub. L. No. 110-403, 124 Stat. 4256 (to be codified as amended in scattered sections of 15 U.S.C., 17 U.S.C., 18 U.S.C., and 42 U.S.C.)

In October 2008 President George W. Bush signed into law the Prioritizing Resources and Organization for Intellectual Property Act of 2008 (PRO-IP Act). The PRO-IP Act makes amendments and additions to existing intellectual property laws that provide for enhanced remedies for piracy and counterfeiting, greater investigative and forensic resources for enforcing intellectual property laws, and better coordination of intellectual property policy in the executive branch. According to the members of the House of Representatives who supported the PRO-IP Act, the law will help strengthen the protection of the nation's intellectual property, and ultimately combat the growth in intellectual property crimes that account for billions of dollars in lost revenue for U.S. companies each year, and even greater losses to the U.S. economy in terms of jobs, tax receipts, trade deficits, and threats to public health and safety.

The PRO-IP Act provides enhanced remedies by doubling the statutory damages available for use of counterfeit trademarks from a range of $500-$100,000 to a range of $1000-$200,000, and doubling the amount of statutory damages available for the willful use of a counterfeit mark from $1 million to $2 million. Additionally, the law broadly expands forfeiture penalties for pirating, by allowing not only seizure of infringing copies and phonorecords, but also seizure of "[a]ny property used, or intended to be used, in any manner or part to commit or facilitate the commission of" a criminal copyright infringement.

The PRO-IP Act also creates the position of Intellectual Property Enforcement Coordinator—or "IP Czar"—within the executive branch to serve as the chair of the Interagency Intellectual Property Enforcement Advisory Committee. Furthermore, the PRO-IP Act authorizes the Justice Department to provide $25 million annually for the years 2009 through 2013 to fund local and state law enforcement entities for education, enforcement, and prosecution of intellectual property crimes. It also authorizes $10 million annually for the years 2009 through 2013 for the Director of the FBI and the Attorney General to hire and train more staff, and to procure advanced forensic tools to help investigate, study and prosecute intellectual property crimes.

There has been criticism of the PRO-IP Act from members of congress and public advocacy groups, such as the Electronic Frontier Foundation (EFF) and Public Knowledge, that the Act creates tools to protect corporate interests rather than the public interest of "promot[ing] the progress of science and useful arts." The legislative history also reveals concerns about the broadened forfeiture penalties, especially relating to the possible seizure of property of innocent intermediaries such as internet service providers, businesses, libraries, or schools. Furthermore, some investment analysts have criticized the PRO-IP Act for allowing the content industry to rely on outdated business models that restrict competitive growth and adaptation to new distribution methods. Still, The EFF approvingly noted that key elements of the entertainment industry's wish list were stripped from the bill, including higher damages for file sharing, a vast intellectual property enforcement bureaucracy, and a grant of authority to the Attorney General to file civil copyright-infringement suits on behalf of copyright holders.

VENTURE TAPE CORP. V. MCGILLS GLASS WAREHOUSE

540 F.3d 56 (1st Cir. 2008)

The United States Court of Appeals for the First Circuit unanimously affirmed summary judgment for plaintiff-appellee Venture Tape Corporation (Venture) that defendant-appellant McGills Glass Warehouse (McGills) was liable under the Lanham Act for willful infringement of Venture's registered trademarks. The First Circuit also affirmed the district court's finding of damages, ordering McGills to pay Venture an equitable share of profits and an award of attorneys' fees.

McGills and Venture were internet retailers of stained glass products. McGills, without authorization, embedded Venture's trademarks in the metatags and background display of McGills' website. Venture brought suit, alleging McGills willfully infringed its trademarks. In a deposition, McGills' owner admitted that he used Venture's marks in this manner with the intent of luring potential Venture customers to its own website via internet search traffic. The district court granted summary judgment as a matter of law in favor of Venture, holding that McGills was liable for willful infringement of Venture's trademarks. The court awarded Venture attorneys' fees and an equitable share of McGills' profits. McGills appealed the judgment, arguing that: (1) summary judgment was improper because Venture produced no evidence of actual consumer confusion from McGills' use of the trademarks and therefore there was a genuine issue of material fact as to infringement, (2) the award of an equitable share of profits was improper because the district court was in error in its finding of willfulness, and (3) the award of attorneys' fees was improper because the district court abused its discretion in finding the case "exceptional."

The First Circuit affirmed the summary judgment. It held that the district court properly applied the *Pignon* eight-factor "likelihood of confusion" test for internet consumers to find that there was no genuine issue of material fact as to McGills' infringing use of Venture's trademarks, even though Venture produced no evidence of actual consumer confusion. The First Circuit noted that though actual consumer confusion is a strong indicator of likelihood of confusion, the absence of actual consumer confusion was not in itself sufficient to defeat summary judgment in favor of the plaintiff.

The court also affirmed the award of an equitable share of profits under the Lanham Act section 35(a), because it found no clear error by the district court in its determination of "willful infringement." Although it declined to decide whether "willfulness" was a necessary prerequisite to an award of profits under the Lanham Act, the First Circuit suggested that even if it was, McGills' concealment of Venture's trademarks on its website's metatags and background, coupled with its admitted intent to poach Venture's internet search customers, provided strong circumstantial evidence of willfulness. Thus, the district court's award of profits was not clearly in error.

The attorneys' fee award under 15 U.S.C. § 1117(a) was likewise affirmed on the basis that due to McGills' willful infringement as a matter of law, the district court did not abuse its discretion in finding this an "exceptional case" where an award of attorney's fees was appropriate.

TRADEMARK INFRINGEMENT IN WEB CONTENT

In a series of cases, the United States District Courts evaluated the permissibility of using trademarks in web content. The District Court of Massachusetts and the Northern District of California followed the emerging trend regarding keyword advertising, holding that use of a competitor's mark in sponsored linking constitutes trademark use in advertising under the Lanham Act. However, the courts differed in their interpretation of whether such use necessarily leads to trademark infringement through customer confusion. In a pair of other cases, the Eastern District of Wisconsin and the District Court of South Carolina clarified the application of the Lanham Act to commercial websites and private blogs.

BOSTON DUCK TOURS, LP V. SUPER DUCK TOURS, LLC

527 F. Supp. 2d 205 (D. Mass. 2007)

In *Boston Duck Tours*, the United States District Court of Massachusetts clarified the scope of a preliminary injunction that prohibited Super Duck Tours from using Boston Duck Tours' trademark. The court held that use of a trademark in sponsored link advertising qualifies as use in advertising under the Lanham Act, yet Super Duck had not violated the injunction by using such advertising.

In July 2007, the court issued the preliminary injunction barring Super Duck from using "duck tours" in connection with its tourist services. Super Duck subsequently changed its name to Super Duck Excursions, but continued to purchase sponsored links for the phrase "boston duck tours" through the Google search engine. This purchase resulted in the display of Super Duck's online advertisements for user searches on Boston Duck's trademark. To distinguish itself from Boston Duck, Super Duck included a disclaimer at the bottom of its website, "Not to be confused with Boston Duck Tours." Super Duck then moved for clarification of the injunction to determine if these purchases were compliant with the injunction.

The court addressed two questions in its opinion: first, did Super Duck's use of the trademark in sponsored linking constitute trademark use under the Lanham Act? Second, did the preliminary injunction prohibit the purchase of sponsored linking? In answering the first question, the court acknowledged the opinions of the Second Circuit that hold that sponsored linking is internal use of a trademark, and is largely invisible to the customer. However, the court did not follow the Second Circuit, and instead approved of the "emerging view" in the Ninth and Tenth Circuits, as well as several district courts within the Third Circuit, that use of a trademark in sponsored linking comprises use for purposes of the Lanham Act. Because sponsored linking provides a user with a direct link to an infringer's website, the use of a trademark in sponsored linking qualifies as use in advertising under the plain language of the Lanham Act.

In answering the second question, and evaluating Super Duck's compliance with the preliminary injunction, the court examined the purpose behind the original injunction. The court concluded that the injunction was intended to bar all future infringement, not all lawful or unlawful use of the trademark. The court reasoned that the injunction was designed to compel Super Duck to select a new, non-infringing mark, but was not intended to prohibit Super Duck from employing the mark in lawful secondary uses. The court further held that because of the diminished likelihood of consumer confusion, Super Duck had acted lawfully in using "duck tours" in Google's sponsored links. The court did not employ the eight-factor *Sleekcraft* test to determine the likelihood of consumer confusion, observing that the *Sleekcraft* factors are designed for cases involving competing trademarks, while the Super Duck case involved a particular use of a trademark by a competitor. The court instead reasoned that, because Super Duck had adopted a new trademark—Super Duck Excursions—and had included the disclaimer at the bottom of its website, the likelihood of consumer confusion had decreased rather than increased. Thus, while Super Duck's use of Boston Duck's trademark in sponsored linking was an aggressive move, it did not constitute a violation of either the Lanham Act or the preliminary injunction.

STORUS CORP. V. AROA MARKETING, INC.
2008 WL 449835 (N.D. Cal. 2008)

In *Storus*, the Northern District of California granted partial summary judgment against Aroa for infringement of Storus' "smart money clip" trademark, but denied Storus summary judgment against Skymall, Inc. The court focused its analysis on initial interest confusion caused by: (1) Aroa's use of Storus' mark in sponsored links on Google, and (2) the search results produced by Skymall's online catalog. The court held that Aroa's use of sponsored links on Google satisfied the *Sleekcraft* analysis of initial interest confusion, and, finding no material issue of fact, granted Storus partial summary judgment of trademark infringement by Aroa. However, the court did not find such a clear case of initial interest confusion in the behavior of Skymall's search engine, and thus denied Storus' motion against Skymall.

Storus developed, marketed, and sold the "Smart Money Clip," a money clip designed to hold money bills and credit cards. Storus patented technology for this money clip, and registered the mark "Smart Money Clip" in 2001. Aroa, an online retailer, sold money clips and associated products, including, for a two-year period, the Storus Smart Money Clip. Aroa employed the Google AdWords program to purchase and register sponsored links for specific keywords, including the keyword string "smart money clip." Thus, when a user typed "smart money clip" in a Google search, the search results displayed the search string—Smart Money Clip—in large, underlined font, accompanied by an advertisement for Aroa's online retail website. Over an eleven-month period, Google searches for "smart money clips" produced results including the Aroa website over 36,000 times, and users selected the Aroa website from these results over 1,300 times.

Skymall sold a variety of products, including money clips, through its online retail website www.skymall.com. The website provided a search engine to allow consumers to search for specific products. In addition, the website included an entry for an Aroa money clip, and the description of the Aroa product included the phrase "smart money clip."

Storus argued that it was entitled to summary judgment against both Aroa and Skymall because: (1) Storus owned a valid trademark in the phrase "smart money clip," and (2) the use of this trademark by the Google or Skymall search engines had created a strong likelihood of initial interest confusion. Storus asserted that, by registering the phrase 'smart money clip", Storus owned a valid, protectable mark. Storus further claimed that, by directing users who entered this mark into either the Google or Skymall search engines to Aroa products, and not to Storus products, both Aroa and Skymall satisfied as a matter of law the *Sleekcraft* factors for initial interest confusion.

The court recognized the validity of Storus' mark despite assertions from Aroa and Skymall that the mark was merely descriptive. Noting that registration of a mark presents a strong presumption of validity, the court also observed that Aroa and Skymall had offered no evidence that the mark was descriptive, and not distinctive. Additionally, Aroa and Skymall had not met the burden of showing that the mark had no secondary meaning.

In assessing the likelihood of consumer confusion from Aroa's use, the court agreed with Storus, and held that the use of "smart money clip" in sponsored linking created initial interest confusion as a matter of law. Citing *Interstellar Starship Services, Ltd. V. Epix Inc.*, the court employed a modified version of the *Sleekcraft* factors customized for cases involving the internet. The court attributed added weight to three factors—the similarity of the trademarks, the relatedness of the goods, and the marketing channels used—and required that the remaining factors must weigh predominantly against the likelihood of confusion to prevent a finding of infringement in the context of website disputes. The court found that Aroa's use of "smart money clip" in sponsored links satisfied the three primary factors, and disagreed with Aroa's assertion that because the Google search results displayed the Aroa website and associated trademark, the marks were not sufficiently similar to satisfy the first primary factor. The court countered that the web page displaying the search results included the trademark "smart money clip" in a large, underlined font, thus constituting not just use of a similar mark, but use of an identical mark. The court found that the remaining factors did not substantially outweigh the three primary factors, as Aroa had either offered no evidence to support these factors or had conceded that they weighed in favor of Storus.

The court reached a different conclusion with regard to Skymall. The court did not reach the *Sleekcraft* factors in its analysis of Skymall's infringement, and instead focused on the uncertain link between the use of "smart money clip" in the Skymall search engine and a page displaying Aroa products. Skymall had not conceded that a search for "smart money clip" would certainly direct the user to Aroa's products, and the court noted that such a search might direct users to Aroa's products not through any use of Storus' trademark, but rather because the search string included the terms "money clip." Thus, because Storus' allegations of infringement rested on contestable issues of fact, Storus was not entitled to summary judgment against Skymall.

STANDARD PROCESS, INC. V. TOTAL HEALTH DISCOUNT, INC.

559 F. Supp. 2d 932 (E.D. Wisc. 2008)

In *Standard Process*, the Eastern District of Wisconsin ruled on a variety of motions related to Total Health Discount's reselling of Standard Process' dietary supplements. As a part of its ruling, the court held that Total Health's defenses under the first sale doctrine and nominative fair use were insufficient to warrant dismissal of trademark infringement claims through summary judgment.

Standard Process, a dietary supplement manufacturer, sold its products only to contractually authorized resellers. Total Health, an online retailer of vitamins and supplements, purchased Standard Process products from authorized sellers and resold these products without authorization while displaying the Standard Process logo and pictures of Standard Process products on its website. In addition, Total Health purchased sponsored links from a variety of search engines for the search string "standard process," and posted text that suggested an affiliation between Standard Process and Total Health. In March 2006, Standard Process mailed written notice to Total Health stating that Total Health's use of the Standard Process logo and product pictures violated Standard Process' trademark. Total Health responded by removing the Standard Process logo and pictures and replacing them with the Standard Process name and product names in plain text. Total Health also posted a disclaimer on its web pages offering Standard Products, indicating that Total Health was not an authorized seller of Standard Process products and was not affiliated with Standard Process. Standard Process subsequently sued Total Health for trademark infringement, as well as false advertising, unfair competition, intentional interference with contractual relations, and other related claims. Total Health responded with a motion for summary judgment on these claims, and Standard Process countered with a motion for partial summary judgment on false advertising and a motion to remove the confidential designation on Total Health's customer lists.

The court denied Total Health's summary judgment motion on trademark infringement, holding that Total Health had not sufficiently established its first sale and nominative fair use defenses. While Total Health had removed the Standard Process logo and product pictures, and had posted the disclaimer, the sponsored links and text suggesting an affiliation between Standard Process and Total Health could have given consumers the false impression that Standard Process had endorsed Total Health's resale of Standard Process products. As a result, the court held that Total Health had not sufficiently shown that its unauthorized sales were covered by either the first sale doctrine or nominative fair use, and that judgment as a matter of law was inappropriate.

BIDZIRK, LLC V. SMITH

2007 WL 3119445 (D.S.C. 2007)

The United States District Court of South Carolina assessed trademark infringement in blogs in *Bidzirk*, holding that, because the blogger reproduced the trademark in the context of news reporting, the blogger's use was authorized by the Lanham Act.

Phillip Smith, the defendant blogger, published a blog post detailing his experiences working with BidZirk, a company that facilitates the sale of customers' items on auction sites for a consignment fee. Smith included BidZirk's trademark in his blog, and described both the positive and negative elements of working with BidZirk. BidZirk subsequently sued Smith for defamation, invasion of privacy, and trademark infringement, seeking damages and an injunction. Smith failed to answer, but, rather than find Smith in default, the court allowed Smith additional time to answer. BidZirk subsequently moved for a preliminary injunction, which was denied by the court, and affirmed by the Fourth Circuit. Smith filed several counterclaims, but the claims were dismissed for lack of jurisdiction. BidZirk then moved for judgment on the pleadings and summary judgment, but the court denied these motions. Finally, Smith moved for summary judgment.

The court granted Smith's motion for summary judgment and imposed a $1000 sanction on BidZirk's attorney. The court disposed of the allegations of defamation and invasion of privacy, holding that Smith's blog was merely a statement of opinion, and could not be construed as highly offensive by a reasonable person. For BidZirk's trademark infringement claim, the court held that Smith had used the BidZirk trademark in a publication intended to inform the public. Thus, Smith's use was in the context of news commentary, and was protected by section 1125(c)(4)(C) of the Lanham Act. Because Smith was engaged in news reporting, and there was no evidence that the sole purpose of the blog post was to disparage BidZirk, Smith was entitled to summary judgment.