

ASSOCIATION OF CORPORATE COUNSEL

Trademarks and the Internet August 30, 2007

Presented by: ACC's Small Law Departments Committee, sponsored by Meritas

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Moderator: Oscar Alcantara, Chair of Intellectual Property Practice Group, Goldberg Kohn

(Oscar Alcantara): Thank you very much. And welcome everyone to this Webcast. This is a Webcast by the Association of Corporate Counsel, and specifically sponsored by the Small (Loan) Departments Committee, and also by (Meritas) Law Firms Worldwide, which is an affiliation of commercial -- general commercial practice law firms around the world. I am (Oscar Alcantara), and I'm moderating today, and you can see my picture there on the screen.

The panel we have collected today is an excellent panel of trademark and Internet attorneys, our pictures there make us look like the evening news team, I think. But we had scheduled today (Kelly Slavitt), who is the Director of Legal Department and the Corporate Counsel Department of the American Society for the Prevention of Cruelty to Animals. However, (Kelly) had an emergency, and could not attend today, actually she is giving birth. And so we congratulate her, but I'll be taking over not only as moderator today, but also her section.

I -- as I mentioned, I am moderating today, I am the -- a principal and the Chair of the Intellectual Property Group at (Golberg Kohn), that's a mid-size commercial firm here in Chicago, Illinois. We are one of the early founding members of (Meritas).

(Robert Lands) will be speaking in a little while on domain name issues, and (Robert) is a partner at (Planners), he's an innocent in London, England. (Robert) specializes in intellectual property and media work, including data protection, advertising and sales. He has particular interest in the entertainment and the fashion industry. He represents companies such as (Lion's Gate) Entertainment, and (Lion's Gate) Films. The (Tetris) Company, I'm sure we've all spent time using that product, he has an annual speaking engagement at the Royal College of Art, and the Royal Academy Schools.

He is also a contributing author of "(Engleman's) IP Update", and I happen to know that when (Robert) goes to work every morning, he passes ostriches and sees them, and he wants you to know that very much.

(Sal Karottki), whose picture you see at the bottom in the initial screen is Senior Intellectual Property Counsel at the (Tribune) Company. (Sal) has his law degree from Duke University, and went to undergrad at Indiana University where he graduated with highest distinction. He is registered as a patent attorney here in the United States, he also has a focus though in trademark and copyright issues. He was an adjunct professor at the writing program at the University of Chicago with a focus in intellectual property.

His experience includes general commercial litigation, as well as patent, trademark, copyright, trade secrets, unfair competition and anti-trust litigation. And he is also -- I happen to know -- the musical mastermind behind a little known band known as (Shred Eagle) here in Chicago, and I'm certain that (Sal) is glad I just mentioned that to you all.

The topic today is trademarks and the Internet, and as we get into the substance, let me mention two things. One is that if you have questions on the substance as we proceed, you can pose them to us by looking at the left -- bottom left-hand portion of your screen, you'll see a place to pose questions, and a send button. We will see those questions, and we may address them as we go, or hopefully we'll have time at the end of the session to look over the questions and deal with some of those. If you have any technical questions as the leader mentioned, you could let her know again the question box.

As we proceed, also you'll see again on the left-hand side of your screen a link to an evaluation form, and when we're through we would love it if you would let us know your thoughts on the program, let (ACFC) and the small law department know your thoughts on the program so that we can tailor programs for your needs in the future.

So today we are talking about trademarks and the Internet, I wanted to start by -- we're looking at (Kelly's) slides, I may deviate from them slightly, because some of them were particular to her practice and her thinking on these matters. But this first slide actually we start by making sure that we're all on the same page in terms of a brief background. Trademarks are quite succinctly put a designation of source, these are the marks, the graphics, the words, the slogans and the names that we use to let our relevant consuming public know who we are, and that when they see a trademark, that it's us and only us, hopefully, that they're dealing with, whether it's a word mark like the word Apple, whether it's a logo like the logo for the Association of Corporate Counsel that you see at the top of the screen, these are all items that when our consuming public sees them, they know that -- they know who the source is.

Rights, at least in the United States, are based upon use in commerce. When we use a trademark in a way that designates as a source of the consuming public that is when rights in the United States are born. They're not born necessarily from receiving the registration, although there certainly is a registration office here in the United States. When you register a mark, you obtain certain benefits, and those briefly are you get to use the circle R, you can see in the third bullet point here there is a distinction in the way that we notify the public about our rights, a registered mark in the United States is used -- is designated with a circle R, and you shouldn't use that circle R unless you have a registration.

Until you have a registration, you can let the public know, and your -- and your competitors know of your ownership in a trademark by using the TM symbol. Once you have a mark, how do you protect it against others who might want to use something similar? Well the test for that sort of infringing use is the likelihood of confusion. It is -- it -- actually I shouldn't really refer to it as a -- as a test, because it's certainly not a black and white test. Any of you who have dealt with trademark infringers know that it's a standard, and it's a standard informed by anywhere from eight to nine to 13 different factors, depending on what jurisdiction you happen to be in front of, and the factors are things like the similarity between the marks themselves, the similarity in the goods and services, the channels of trade and the similarities in the channels of trade. The similarities in the possibility for crossover

between goods and services, the intent of the defendant, these are all factors that hopefully you've encountered before.

But the overall news is that there's no bright line test, instead you have to look at a variety of factors to know whether a potential defendant's use is likely to confuse -- I emphasize the word likely because confusion itself is not necessary in order to make out a case for trademark infringement. Instead it's the likelihood of confusion that will be the earmark of liability.

This last bullet point that (Kelly) prepared is very well put together, because it summarizes the rest of the slide quite succinctly. What we want to look for when you talk about preserving rights in a trademark is really what's reflected above, two aspects to that, use and policing. So you need to use a mark, and use it consistently in order to have strong rights, and you need to police a mark from infringing use in order to make sure that you're sending a consistent message to your consuming public.

What we're going to do today is look at some of these issues more specifically in the context of Internet usage, which as many of you know drives a tremendous amount of intellectual property practice these days, whether it be patent, copyright, but certainly in the trademark area.

What we're going to look at more specifically are issues such as I'm going to work from the bottom up here, metatags, domain names, which (Robert) will speak about in great detail in a -- in a few minutes. Keyword searching, which (Sal) is going to talk about at the end of the program, and use. Use of a trademark on the Internet is one of the areas that generates a tremendous amount of questions from our clients, from people in the press, from students, it is a tremendously live area in terms of what people want to know.

So what I'm going to do hopefully, if I can make this work, is to give you a little bit of an outline of my own building on (Kelly's) outline, with some thoughts on using a trademark on the Internet. One of the issues that people ask initially is does use of a trademark on the Internet and only on the Internet constitute use in commerce, because we need to use a mark in commerce under U.S. law in order to gain rights. And the answer there is a simple one, which is that use of a trademark on the Internet certainly would constitute use in commerce.

The jurisdictional threshold for use in commerce in the United States is really any commerce that can be governed by Congress. Meaning essentially interstate commerce will constitute use in commerce, so if you're using a trademark on your Web site that will constitute use in commerce and give you at least common law rights. The one caution on that is that simply registering a domain name will probably not -- probably not constitute use in commerce.

What you have to do in order to gain rights -- trademark rights in commerce is to use a trademark, but also to use it in connection with a bona fide offering of goods and services. So if you have a trademark on your Web site, and you are promoting the goods or services of the company, that will most certainly give you trademark rights. Registering a domain name, or if you find that somebody else has registered a domain name with a potential trademark as the domain name, will that use constitute use in commerce? Probably not, you've got to do something more than that in order to gain rights.

A related issue that I find a lot of clients want to know about has to do with specimens, because as we are trying to register our marks, or keep them registered with the United States patent and trademark office, you may know that you have to show evidence of use of the mark actually in commerce, you can't just maintain a trademark registration by claiming to own and use the mark, you actually have to show a specimen of use. So the question becomes, can I use my trademark as shown on the Web site in order to show evidence of use to the United States patent and trademark office? The rules for that are different, whether you're talking about goods and whether you're talking about services. For goods, you need to use the mark actually affixed to a good, this is the rule whether we're talking about the Internet or not. So if you want to show a specimen of use to the PTO for a bottle of water, you have to show a picture of the -- of the bottle with the trademark on it, or at least show the label that would be affixed to the goods.

So how does that affect Internet usage? Well if you want to use a page from your Web site as a specimen for a good, you must actually show a picture of the good with the mark affixed. There is one exception to that, which is that you can show the mark on a point of sale item. So if we're talking about the real bricks and mortar world, if I walk into a store, and a mark is not affixed to a good, but say it's an electric guitar, which is ((inaudible)) I work with fairly frequently. So I walk into the guitar center, there's a mark, let's say it's a slogan, and it's not actually affixed to the guitar, but it is on a big stand up poster display, that would constitute a point of sale display, and would constitute use in commerce, I could show that -- a picture of that point of sale display as a specimen.

How does that affect use on the Internet? You can -- you can create a point of sale display on your Web site, what it has to do though is it has to show the mark, it has to show the mark in proximity to the good in question, and it has to have the mechanism for actually effectuating a sale. So if your Web site has a mark -- a trademark on it as a picture of the product and has a click here for your shopping cart mechanism, then you can use a Web site with a trademark on it as your specimen of use with the PTO.

For services I mentioned the rules are a little bit different. The -- you clearly can't affix a trademark to a service, because the service doesn't exist in three-dimensional space. So an advertisement for a service will qualify as a specimen of use. The one caution on that, however, is that the specimen must describe the actual services in question. If you have a Web site page that has a mark on it, but there's no clear explanation for what your services are on that page, then look for a different page, find a -- find a page, and it's usually something like, you know, you do your home page, or your about me page that will let the examiner know not just that you're using a mark, but what types of services you're using that mark in connection with.

The -- there are some other issues relating to use that clients usually have, and the next big question relates to common law rights in a remote jurisdiction. The question is this, if I have a Web site, and it is accessible nationwide, I do business here in Chicago, Illinois, but I have a Web site, and it's clearly accessible nationwide, does that mean that I have nationwide rights? And actually there is not a lot of law on this. It would however depend in my opinion on how much business you're actually doing on the Web site.

If you've got an active Web site instead of a passive one, and you can show that customers are indeed not only accessing, but transacting business on your Web site, then that's probably the best evidence of nationwide use -- nationwide common law use.

If you've got a -- an active Web site, but no actual business being transacted, it's an active Web site in that people can download information, or engage in a chat room, something like that, that is pretty good evidence of nationwide rights. If you've got a totally passive Web site, the -- you're going to have a harder time arguing that your nationwide access from your Web site indeed gives rise to nationwide common law rights.

This, by the way, is an issue which only comes into play if you've got no registration, if you have a trademark registration in the United States, then the registration will give you constructive nationwide use. Until you have that registration, however, if you are at all concerned about the nationwide scope of your rights, then think about your Web site and how actively the Web site is used and accessed on a nationwide basis.

There is a related issue which is whether a Web site, your own, or possibly a possible defendant's Web site will subject the Web site owner to personal jurisdiction in each and every court jurisdiction here in the United States, that also is a question that is up to a little bit of flux for about -- well probably close to 10 years now, most of the courts have been operating under a system known as the sliding scale, which is a scale built upon the same spectrum of active and passive usage that I just mentioned in relation to common law rights. If you have the -- a very active Web site where people can do business, then a lot of courts will say you are subjecting yourself to jurisdiction wherever somebody can access and do business on your site. That process, however, or that theory of personal jurisdiction has come under attack recently within the last year in a few court cases who say look, the Internet is a form of communication like any other. Why make special rules for it? We should just be applying traditional state long-arm statutes and jurisdictional concepts to the Internet without coming up with a special set of rules.

All right. So that basically deals with the issue of usage of trademarks on your web sites and on the Internet. We want to turn now to the issue of policing, and many of you, if, especially if you're in the small law department, I know you are frequently dealing with 20 to 30 different issues in a day, and you may or may not have time to be watching for infringement uses of the clients' trademarks on the internet, so I wanted to give you some thoughts on policing, and how you can do so effectively and efficiently, and give you some resources to be able to do that.

Let's first talk about policing generally and why we do it. Why to police? Basically there are a few good reasons. Number one, if you fail to police a trademark, you could be said to have abandoned it. This is the most extreme case. It's a trademark is really being used by all sorts of third parties, especially on the Internet where everyone can see this happening. You may be so delinquent as to abandon all rights to the trademark, and of course, wouldn't wish that upon any of you, and so some of the things we'll talk about today will give you tools for arguing against any thought of abandonment.

From your client's perspective, why police, the issue is simple. You want to stop competitive harm. Your clients will be happy with you and you're outside counsel when you use them if you can actually stop somebody from diverting funds away from the client's

coffers by infringement use. That's ((inaudible)) straightforward and central principle of trademark and intellectual property law.

A slightly less or what's called a more esoteric concept here, though, is the concept of real estate on the Internet. What you want to be able to do for your client is make sure that their web site shows up highest in any search. If a client -- if somebody is searching for your client's trademark or their services and they end up at somebody else's web site, that's not a good thing, so you want to make sure that your client's page shows up first and prominently, and anybody else who might happen to be using similar or outright infringing marks either don't show up at all or show up so far down on the list that they're never visited.

The last concept here on why to enforce is sort of self fulfilling, but when you get into a big important piece of trademark litigation, you're going to want to be able to show a history of enforcement in order to argue that you have a very strong mark. This is something to keep in mind if you have a client with a trademark that is possibly weak. If it's a very descriptive mark or if it has only been around for a short amount of time, what you want to do is to start creating a history of enforcement so that when the big case comes along and the discovery question comes, "Have you ever enforced this trademark?" you can very easily show a nice big folder full of enforcement activity. This is really where internet policing is of tremendous value because there are certain small pieces of internet enforcement that you can do very easily and very efficiently to start developing a file of enforcement, even if you think the potential defendant or cease and desist recipient is not really causing a lot of competitive harm, you know, even if you're in no danger of abandonment, even if they're not showing up high on the real estate in the internet, if you send a cease and desist letter to somebody you find on the internet and they walk away from what they're doing, you can quickly put that chapter into your file in order to show the history of enforcement.

So again, some of the things you can do to start developing this history. You can use the eBay VERO program. It is a tremendously efficient program. If you've never used it, basically you -- if you find somebody using your mark in an inappropriate way on eBay, you can sign up as a VERO. VERO stands for verified rights owner, and it's a very user friendly system, and it will allow you to interface directly with the person who put up the infringing auction and get them taken down as quickly as possible.

You can also search using regular Internet tools such as Google or Yahoo! in order to find infringing users. What you want to look for are things that we're going to be talking about in greater detail, things like people who are using your mark as a key word, people who are using your mark as a portion of a domain name.

You also want to look at things like metatags. I'm going to skip over a few slides here that were very specific to (Kelly's) experience ((inaudible)) the ASPCA, but meta tags, if you are not aware of meta tags, basically these are the computer codings that exist underneath your web site content, so to speak. When you visit any web site, if you go on your tool screen to where it says view and source, it will show you the meta tags that underlie the content of the web site, and these are places where certainly 10 years ago when some of these issues were more new, you would find internet infringers putting proprietary trademarks into the meta tags in order to drive traffic to their web sites, so go to view, go to source, look for a phrase that says meta tags, and look to see if a defendant's web site has your client's trademarks in there. If they do, then you've got a fairly strong argument under U.S. internet law principles

that says that they are engendering what's called initial interest confusion as shown in the third bullet point on this slide. Initial interest confusion meaning that even if a web site user visits the infringing web site and has ultimately very little confusion as to where they are, the fact that the meta tag helped lure them to that web site in the first place may be enough to qualify as ((inaudible)) confusion and therefore infringement liability.

This would be similar to a sign on a highway, if you'll allow me to go from the information highway to a regular highway analogy, but if you were driving on the highway and you saw a sign for your favorite fast food restaurant, you pull off the exit and you find that there is no store with your favorite fast food restaurant there. There's a small local diner instead. That would be a similar scenario. You walk in, you realize where you are and that it's not your favorite fast food restaurant, but you sit down and have a meal anyway. That's the analogous use.

I think something has happened to the slides here because I'm -- I can no longer see the slides on my screen, so if the leader would go ahead and forward the slides for me, I'd appreciate it. On the other hand, I'm not sure you know what slide I'm going to go to.

Let's see. We're going to talk a little bit about finding trademark owners, and then we're going to pass it on to (Robert).

One of the issues about policing is once you find an Internet infringer, how do you figure out who they are. The Internet is a tremendous tool for maintaining anonymity. You can, however, use some of the tools of the Internet to figure out who you're dealing with. Traditional web sites such as the Secretary of State's office, or even you can use the patent and trademark office web site to find out who is the registrant of an infringing trademark if the defendant happens to file an application.

And frequently you can use the defendant's own web site to sort of drill down. If there's no contact information on the defendant's web site, which is sometimes the case, try this trick. Send e-mail to info at the domain name. So if somebody registered (oscaralcantor.com), but I can't figure out who it is I could send a cease and desist letter to (info@oscaralcantor.com) and then that will most likely get to them.

A lot of times, you'll find that the defendant has tried to hard to keep their anonymity. You can try to use the that is system. If you go to Network Solutions and go to who is and put in the domain name of an infringing Web site, you can hopefully find some information there. However, you will often find that that information saved into who is, is blocked by the domain registrar service, or just outright false.

And I see our time is getting short, and so what I'd like to do is ask the technical administrator to pass the baton over to (Robert Lands). Once again, (Robert) will be speaking on domain name issues more specifically. (Robert), a partner at (Finer, Stevensons) in London, England.

Operator: (Robert), please make sure that your line is unmuted.

(Robert Lands): Hi. How are you? I had my line on mute. I apologize. I hope you ((inaudible)) happy task ((inaudible)) about ICANN domain name dispute resolution procedures. And to

briefly introduce the terminology, as I'm sure you know, a domain name is a really easy way to remember the string of numbers of an Internet protocol address. A name is twinned with a number, and there are computers on the Internet with databases that match the two up. And it's important to realize this; the domains names were intended really to be like street addresses with no commercial significance particularly, unlike trademarks, and other intellectual property. And there's debate in the courts around the world, at the moment, about whether or not they should be treated as intellectual property in themselves.

The ICANN is the Internet Corporation of Assigned Names and Numbers. And they are non-profit making policy-making body that was set up in 1998 to have responsibility over the global coordination of these unique identifiers used on the Internet and different kinds of identifiers. There are, what's called generic top-level domains. And as you can see here, I have plugged my own law firm by putting our domain address up their SSIlaw.com. ((Inaudible)), the dot-com is a top-level domain. Other kinds include dot-net, dot-org, dot-biz, ((inaudible)) supposed to identify clearly the type of organization using it, dot-com is a company, dot-net is a network provider. But these days they are used by anyone, really, which is really ((inaudible)) other kinds of generic top level domains including names like dot-law, dot-(pro), which is supposed to be used by legal professionals.

There are ((inaudible)) generic (double) demand, like dot-A for the aerospace industry, and what we've got here dot-mobi, which is for mobile content. And ((inaudible)) if you don't know about these differences is that the dispute resolution procedure ((inaudible)) different types, there may be special rules in the dot-law, dot- (pro) governing the accreditation of the people applying for the domain name.

The way to check it is to go to this Web site I have on the screen www-dot-nic, which stands for the network information center, and then dot-and the relevant UTLD and that will tell you who is responsible.

There is a country code that ((inaudible)) such as SSIlaw.co.uk, and in the States, the one that's supposed to be used is dot-US, although in reality nobody uses it because dot-com has achieved such an icon status that everybody goes to that instead.

There are really three kinds of domain name disputes. The first, and the most obvious is what are called cyber squatting. While somebody registers a ((inaudible)) domain name without resolution, and perhaps try to use it either maliciously or to sell the domain name to the vendor at an inflated price. ((Inaudible)) squatting is a variation on that, but you see the same thing that you are deliberately setting up the register and misspelling of the name to capture the names of the millions of people who accidentally transpose characters and put in wrong spellings.

A more complicated kind of domain name dispute is where they are competing legitimate interests. If you think, perhaps about the Apple Computer Corporation in the States, and Apple Core in London who are the Beatles Record Company, they both have been using the word Apple legitimately for different reasons for different times. And although, they have had ((inaudible)) recently, they more of less managed to do it. ((Inaudible)) really been used to register ((inaudible)) as a domain name, it could cause a ((inaudible)) in the both computing legitimate interests.

Lastly, there's reverse domain name hijacking. Do you see the situation where they ((inaudible)) basically ((inaudible)) domain name proprietary to handing over a domain name that they have a legitimate to register. For example, if I happen to have a surname that was the same as a famous brand and registered a domain that I used to put up information about my family, the domain name ((inaudible)) famous brand wanting the domain name ((inaudible)) reverse domain name hijacker by trying to force the surrender. And you really want to avoid getting called reverse domain name hijacker. And it's important to realize this so that you pick your battles and only take domain name dispute procedure cases where it's not the case of billing the 14-year-old girl who has a fan site or something like that.

And ((inaudible)) uniformed dispute resolution procedure. As ((inaudible)) to mitigate between the competing interest in domain names. You can only ((inaudible)) agree to submit to the terms and conditions of the uniformed dispute resolution procedure when we ((inaudible)) and by a domain name, you have no choice in it.

That's good because it means ((inaudible)) procedure that's faster and cheaper than going to court. It's informal ((inaudible)) done on paper via the Internet. And it's a procedure where our experts decide the names, not judges who are concerned with straight legal principles but Internet experts. ((Inaudible)) used to the levels applying to the resolution procedure. ((Inaudible)) international, which has got used for lawyers like me, based outside of the U.S.

If you take a claim, you have to show three elements. You must prove all three of these elements at once. You have to show that you have – that you believe you have an identical or a competing ((inaudible)) trademark to your code mark, and that's based a registered trademark or an unregistered trademark that perhaps you have ((inaudible)) using over the course of time.

You have to show that the whole group of domain names has no rights or legitimate interest in the domain name. And that the domain name has been registered and has been used in bad faith. And bad faith can be a tricky thing to show. Examples would be if it's being used to disrupt the business of a competitor, for example, or if they are using it for the purposes of selling it to the ((inaudible)) at an inflated price.

The goal in a ((inaudible)) would be to get the domain name either cancelled, therefore stop the disruptive use or have it transferred to you so that you can use it yourself.

If you are ((inaudible)) useful tips and would be that you have to show that there is ((inaudible)), obviously, and ((inaudible)) show that you are using it or are making preparations of the use of it in connection with an offering of the services or if you are using it because you have a common nickname. An example that just came to me is that we have a store in the U.K. called (Marks and Stanford), which is commonly named (Marks and Stocks) and they don't have a code marking of (Marks and Stocks) because it's not their name, but everybody uses it. And I print in marksandstocks.com and it does, in fact divert to (Marks and Stanford) so they registered that knowing that that's a nickname they are named by.

You could be using the name legitimately in a non-commercial way. For example, as a sound bite to provide information with the use of the ((inaudible)) claim.

((Inaudible)) administer these claims. It has given that power to three different organizations world. The most commonly used one is the World ((inaudible)) Organization, (WHIPO). All ((inaudible)) relations in terms of the fees charged and the rules, but they follow similar procedures.

If you do a claim it has to be basic in hand copy and in electronic format. You have to choose a one person or three person panel to decide the ((inaudible)). And ((inaudible)) the one-person panel is ((inaudible)), three person is more expensive. You have to specify the trademark, which the complaint is based, obviously, and the (competing) service that your trade mark covers. ((Inaudible)) they have to pinpoint the ((inaudible)) complaint in accordance with the procedure itself. So they point to specific paragraphs in the procedure and show how they've been breached.

Here's an example of the fees, and the important one to note is this one, if you are taking the case, so one to five domain names proceeded panel. On the one pay it's \$1,500, which is comparatively cheap compared to a court case.

This is a quick, I'm not going to go through this slide in much detail. It's fair to say that you can get a result within a couple of months. There have been over 12,000 proceedings using the uniformed dispute resolution procedure so far. And research done, a year ago now, shows that complainants won about 80 percent of the time. Several more proceedings went unanswered, and of those 98 percent of these were won by the complainant message if you receive a complaint and you just don't respond. If you'd like to look at proceedings, you can go to this Web site, that ((inaudible)) here, which has all of them.

OK. Some practical tips to finish on. Firstly, ((inaudible)) a dispute resolution claim is linked to the ((inaudible)) in the way you were dealing in the trademark infringement matter. And what you could do, and this is a bit radical, I know for ((inaudible)), but you could give ((inaudible)) and call them and find out why they should be entitled to the name. I say this because we recently in the ((inaudible)) a large media organization who feel that somebody has registered ((inaudible)) product as a domain name.

They take ((inaudible)) proceedings and the registry didn't respond and the ((inaudible)) and the domain name stayed where it was. ((inaudible)) to have a look at because the registrant was based in the U.K. and we called them and we said why do you feel you are entitled to the name, they said actually we don't. We have no interest in the name. We were doing that as part of a teaching exercise to demonstrate how to register domain names. We happened to choose that produce because it was (on our minds). But really the only reason we haven't surrendered it is the manner in which we were treated, we felt that your approach was overly aggressive. And if you had come down and ((inaudible)) with us, then we'll hand it over to you, and that's what we did and they did. So it ((inaudible)).

But if you do, don't offer to purchase the name because once you do that then it stops the – you get to use the allegation of bad faith because you have then opened the dialogue around to ask an inflated price and it wouldn't have been bad faith to have done so.

Very important tip is appeal your facts to the ((inaudible)) in the procedure, not to ((inaudible)) ordinarily use it. It's irrelevant to quote trademark infringement sections from ((inaudible)) or anything like that. What matters is what's in the procedure.

((inaudible)) isn't beginning to follow ((inaudible)). But it's actually worth speaking to them anyway ((inaudible)) similar circumstances and results, the result you want. And ((inaudible)) think really they are not bound to ((inaudible)) the bait and ((inaudible)) completely contrary to the previous panel member's decision. So it doesn't always help to do that.

OK. Now I'm going to hand back over to (Oscar).

(Oscar Alcantara): Very good, thank you, (Robert). We're now going to turn to the issues of keyword searching, and the related area of Web sites on the Internet. Once again, we are turning to (Sal Karottki) who is the senior intellectual property counsel at the Tribune Company. I will hand it over to you, (Sal).

(Sal Karottki): Thanks, (Oscar). Thanks, (Robert). So as (Oscar) said, I work at Tribune Company and we have a lot of entertainment Web sites such as metromix.com or Web sites associated with your various newspaper properties and broadcast properties. And one issue that comes up a lot both in house or at a small firm is the issue of keyword searching and the use of competitors' trademarks in keywords.

Now let me back up and just briefly explain what the process is for those that aren't aware of it. A company will purchase a keyword, a term from a search engine provider, such as Google or Yahoo! and will associate links to that company's Web site with that keyword purchased. So a good example of and the example we use in our talk of a product that a search engine provider offers that allows companies to purchase keywords is the Google Ad Words program and Google, obviously has a large market share in the online search space. They power things like AOL.com and so that's a good example to use.

Now the example we'll be discussing today is the common pay for placement model of purchasing keywords, where a search engine will return quote-unquote sponsored links to a user that searches on various keywords. So what happens is a company will buy a keyword and when a user searches a search engine for that keyword a sponsored link to the company's Web site will appear.

Now where does it appear? The sponsored links on the Google page appear in the yellow highlighted box before the actual research – the quote unquote natural search results that Google will find through its Web crawlers. So when someone uses the Ad Words program to purchase a sponsored link that will appear in a highlighted box before the search results that are naturally sent down there.

Now why is this an issue? An issue where it's not issue, for example if you purchasing generic terms that relate to your business, or descriptive terms that relate to your business it's highly useful to a company. For example, a real estate company that would want its URL to appear as a sponsored link for users that purchase the word real estate – for users that enter the word real estate would purchase those keywords from Google and then their link would appear when the user types in real estate. That's a highly useful product and service that Google offers.

But the problem is when a competitor will purchase a trademark or registered trademark of one of its competitors. For example, let's take South American Breweries which makes Miller beer, if they were to purchase the trademark Budweiser as a keyword, and then a user were to enter in Budweiser and do a search on Budweiser now links Miller Brewing Company would appear in the sponsored links before the Budweiser links that are down in the natural links. So that's the issue that comes up.

And the ((inaudible)) Internet American Life Project did a study a couple of years back in 2005 that's still a time period after the Internet had been used for commercial purposes for the better part of a decade, they reported that less than 17 percent of American Internet users can distinguish between the paid sponsored links at the top of the page, and the unpaid (natural) search result links that are further down the page.

Obviously then for businesses that have a business model that relies on Web advertising revenue, you know, where advertisers pay per (impression), they (are) online retailers that actually -- or service providers that actually execute transactions over the Internet.

This is a major issue if competitors are buying your trademark and appearing in a sponsored link section and users of the search engine are being redirected to your competitors' Web pages. You both lose traffics and potentially lose sales.

And to use the example that Oscar brought up from the Brookfield case in 9th Circuit that it's like, you know, someone essentially is putting a billboard up in front of, you know, your signage and directing people to their store or their Web site instead of yours.

Now there's two major issues that come up in this area and that the (labs) is currently developing. One is whether purchasing a keyword is actually used in commerce under the Lanham Act. And then there is, of course, the ultimate issue of whether your particular -- even if purchasing a keyword is used in commerce, whether your particular way of using it in the link of your Web site or in the text describing your link of the Web site actually confuses the consumer.

So there's two folks you can sue, obviously, if you're a company whose trademarks are being purchased as a keyword. You can sue the competitor who purchased the keyword or you can sue the search engine provider, Google in this situation.

An example of cases where competitors have been using trademarks as keywords, one recent example where a competitor was sued is the (Adina) Realty case, MLS online case. That case involved a competitor who purchased (Adina) Realty's mark. They are very large real estate brokers in the Midwest. And MLS online purchased the mark as a keyword for both Google and Yahoo! and also used the mark in the text of its sponsored link.

It also, to go back to Oscar's point about metatags, used it as hidden text and metatags on the Web page.

But the court came down in this case and said that there was use in commerce, that by purchasing that keyword they had associated it with a commercial transaction or an advertisement for a commercial transaction and that by purchasing that keyword, the MLS online, the Defendant in the case, had used it in commerce.

So this is important because all of the Lanham Act trademark sessions that involved infringement had a requirement that the trademark be used in commerce.

But the courts are split about this issue because in the 2nd Circuit in the (Southern) District of New York we had a similar situation where the Web site retailer used Merck's Zocor mark in its -- and purchased that keyword and used it using the Google Adwords program.

And the courts found that the use of the Zocor mark in background -- in this kind of background computer technical coating way did not rise to the level of being a use in commerce because it wasn't associated with products out in the real world. It was used in the back office computer coding fashion and therefore was not a use in commerce.

And why is this issue important? Because the fact that whether it was a use in commerce (at the) initial part of the case is a case that's going to be decided at the motion to dismiss phase, not at the summary judgment or trial phase.

So in this particular case, because the person who bought the keyword was able to convince the court that their purchase of the keyword was not a use in commerce, they were able to win on a motion to dismiss, which obviously is a much cheaper and a much less expensive way to remove litigation.

So in the 2nd Circuit in New York it's a good place if you are the purchaser of keywords to litigate this issue. However in, you know, for example in the previous case we discussed in Minnesota, that's where the (Adina) Realty case was from, or in New Jersey or in Pennsylvania or there was a recent case in Illinois as well where courts, district courts, have found that purchasing a keyword can be used in commerce.

That doesn't mean that you'll be found to have infringed a trademark. It just means that you'll pass the motion to dismiss phase and you will then go on to a summary judgment and trial.

So right now other than the 2nd Circuit, the trend in the district courts of different parts of the country seem to indicate that keyword purchasers in many parts of the country are used in commerce. However, there's a split on it, and the 2nd Circuit has been very strong and they convinced other circuit courts at a later date that purchasing keywords is not a use in commerce.

Now you'll see the same dichotomy of the same split in the search engine cases where Google is the defendant as opposed to the actual competitor that used the Google service. Now, there are two approaches in this case just like there are two approaches in the competitor arena.

There's the (whenyou.com) line of cases and the Google line of cases involving the Google Geico case.

The (when you) case involved the distributor of a software program that allowed companies to trigger pop-up ads and advertisements whenever certain keywords and browsing activity were used. In the (when you) case the court came down all on the side of the search engine,

or software provider in this case, and said that background use, back office use, internal utilization of the trademark to trigger the ad, didn't violate the Lanham Act and wasn't (deemed) to use encounters.

However, in the first case that involved this issue, Geico beat Google out of the Eastern District of Virginia, the court case said that it did, it did consist -- or that Google's Adwords program and purchase of keywords and a search engine's use of keywords did consist of use encounters under the Lanham Act.

Now just because you -- so folks that are evaluating a situation, either a cease and desist order that comes in on a keyword issue or are thinking of suing a competitor or a search engine, although most smaller companies aren't going to sue Google, but if any are suing (in part) -- should be pay important attention to where they are, where they're being sued, where the cease and desist letter is coming out of, look at the law of that jurisdiction, and determine whether you might want to file a declaratory judgment action in a favorable jurisdiction if you can.

But it's a patchwork right now. And that issue hasn't been resolved. But even if you get beyond -- if you sue a competitor and you get beyond the initial motion to dismiss phase and it's found to be -- their purchase of a keyword is found to be use in commerce, you still have to show that there is a likelihood of confusion.

And the way that the first case that involved this, the Google/Geico case, dealt with this was to analyze whether the trademark was actually used in the text of the link of the sponsored link or in the string of text that appears below the sponsored link.

And just to remind you what these sponsored links look like, there is a link text which shows the name of your Web site, and that is bright blue and underlined, and that's what you click on to go to the Web page. Then the URL, which is the www.competitor.com, will appear below that link text. And there's generally a single string of text, a sentence that describes the products and services being offered at that Web site that is next to the URL.

So the distinction that the Google/Geico court made is that for competitors that purchase a keyword but do not include that trademark that was purchased as a keyword in either the link text or in the text string that appears underneath the link in a sponsored link, for those competitors is deemed to generally be not likely to cause confusion because a user can look at the link and see that it's the name of another company. They can look at the URL and see that it's the name of the other company, and they won't find the actual trademark that was purchased in the sponsored link.

For competitors that do use the trademark in the string of text or in the actual link itself, courts have found that generally it is something that should at least move past the summary judgment phase and is the subject of expert testimony about whether users are actually confused.

But generally the breakdown has been in the case law. And this is important. It came up in an odd context in the Geico.com case. But the reason this is important is because courts are seized on this distinction between whether the keyword purchased or the trademark purchased as a keyword appears in various portions of the text in the sponsored link.

Generally, if you find a competitor that is including your trademark in the text of that sponsored link, you'll have a much better claim than if it's not. Now just briefly, I'd like to touch on gripe sites, which are sites oftentimes from ex-employees or purchasers of products and services that were unhappy.

They'll criticize a particular company, their internal policies or their products. Where, you know, by 1999, this was a slightly old statistic, but half of the Fortune 1000 companies essentially had gripe sites directed at them and these are users that complained about the company or their products.

And there is an issue associated with this, at least in the United States of America, that involves the First Amendment, protected speech, and generally users or employees that are not subject to confidentiality restrictions and are telling the truth about their stories are allowed to provide this information on a Web site, even if it is negative.

But there are some things you can do and sometimes peoples' trademarks are included in the actual URL, so are oftentimes included in the (meta) data associated with it. But what do you do about a gripe site? You can try trademark infringement.

Oftentimes there are claims that relate to trademark solution for those who own famous marks or you can proceed under the cyber piracy statutes that exist.

Now there is one barrier to bringing an action against a user under either a trademark infringement theory, which ((inaudible)) a trademark solution theory, or a cyber piracy theory, and that is did the defendant use the trademark in commerce? Now, use of it in the URL is generally not going to get you there.

You need some sort of commercial activity on that Web site and that's going to be the biggest portal in most of these types of cases. If you've got a pure gripe site that just involves speech, you're generally not going to bring a claim under these types of statutes, but you're not going to be successful.

So check for whether there are -- whether the user or the person, and this is often the case with gripe sites that sometimes they just can't help themselves from trying to sell a product while they're griping about it, and so check to see if any product is being sold on that particular Web site, or check to see if ads are being served to the Web site.

A lot of times people will use the Google product that just serves up as and drive some minimal per click revenue from that and so look for commercial for profit activity or look for any solicitation of funds to help some sort of campaign against the company. That's how you're going to get over that use barrier.

And in certain situations, you'll also be able to see that the trademark may be used, for instance, if there is commercial activity on the Web site, if a trademark is used in the URL, you can proceed under this kind of traffic diversion theory.

The problem is if the URL is a (sub) site which is your company's trademark (sub).com, there's a lot of case law out there that says generally that's not going to be a likelihood of

confusion because it is unlikely that a company would purchase a domain name with the word (sub) in it and that -- and that most users would know that the site is not affiliated with the mark holder.

If you're dealing with a pure -- in the United States at least, with a pure gripe site that doesn't have commercial activity on it, the best way to proceed frankly is to analyze the claims in the -- in the Web site itself and proceed under standard, you know, defamation liable type theories or commercial disparagement type theories.

So with that, I'll turn it back to Oscar.

(Oscar Alcantara): Thank you very much, ((inaudible)), and we've come to the end of our hour. Thank you very much for attending. I wanted to encourage you to fill out the evaluation and we'd like to have your thoughts. We've been seeing many questions as we have been going along.

And I'm sorry my section went a little long because I was not as familiar with (Cary's) slides as I could have been and ((inaudible)) a little bit. However, what we've been trying to do instead of having an open question period is we've been responding in writing to the questions as they've been coming and hopefully, we'll be able to do that to all of the questions that are pending.

Thank you once again for attending. On behalf of the small law department's committee and ((inaudible)) law firms worldwide, you may now disconnect.

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