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Message from the Chair

Joyce L. Creidy

Social networking sites such as Twitter, Facebook, and LinkedIn continue to grow in popularity; the Section even recently created a group on LinkedIn. But limiting oneself to this form of networking will produce less-than-optimal results. The Ladders.com article"I Attended a Networking Event. Now What?" quotes a recent study of external hires that showed 27 percent of them were from referrals. While I would never discourage any form of networking, nothing is more powerful than the face-to-face meetings that take place at Section events.

A good example is the seventh annual Women in Intellectual Property Law event that took place on June 3 in the heart of New York City, 33 floors above Times Square in the Thomson Reuters building. Ninety women attended and learned life lessons from the panel of in-house lawyers: Rebecca Borden, CBS; Jolly Northrop, L'Oreal; Michelle Francis, The Francis Company; Radha Murphy, Nestle; and Carolyn Blankenship, Thomson Reuters. Attendees made the most of the cocktail reception before the program and the dessert reception afterward; they exchanged cards, made plans to meet for lunch, and shared experiences and stories. The event concluded with a raffle of gifts contributed by Singer Sewing Co., HBO, L'Oreal, Revlon, Avon, Dove, Affliction Clothing, West Legal Ed Center, Macy's, Brooks Brothers, and Random House.

While the event was amazing, what happened the day after was even more impressive. Several recently unemployed women had asked advice of the panel during the question-and-answer period. The next morning, one of the panelists e-mailed requesting their resumes. While she could not promise employment, she was willing to connect the women with a colleague who was in a position to hire—more proof that technology is no substitute for old-fashioned, in-person networking.

Another networking opportunity is drawing near: the Fall Meeting. "Creating the Future of IP Law," co-chaired by Charles Weigell and Eric Gisolfi, will be a two-day CLE program of timely, hot topics such as Green IP and Insurance of IP Assets. Take the time to look through the program in this issue of *Bright Ideas*. I hope you will join us for this family-friendly event during peak foliage at The Sagamore in Bolton Landing, New York, on Lake George.

While social networking is the future, it is only half of the equation. Nothing will ever replace meeting people in-person, and no other organization gives you a better opportunity to meet and mingle with high-caliber IP professionals than the NYSBA IP Law Section.

Joyce I. Creidy

Inside

NYSBA

Enforceability of Web site Terms of Use

By Amyt Eckstein

I. Introduction

Terms of use, terms of service, terms and conditions, and license terms (collectively "TOU") purport to govern use of a Web site, but are they enforceable? Are users of a Web site bound even if they don't click the clickwrap[1] "I Accept"? How enforceable are TOU that limit how material on a site can be used? Does the analysis change if the user is a commercial entity rather than an individual?

A TOU analysis is essentially a contract analysis. Are the terms clear? Was there assent? In the context of a Web site, the key issue is whether there is evidence that a user actually assented. The clearer the evidence of assent, the more likely a court is to enforce TOU. New York courts generally enforce TOU when there is (i) conspicuous notice of TOU prior to user access of a product or service and (ii) unambiguous assent with the ability to reject the TOU.[2] A site that merely posts its TOU, i.e., a browsewrap, has the burden of showing that the user knew of the terms and assented to them.

Recent cases reflect differing results with respect to the enforceability of Web site TOU. Most of the cases deal with enforceability of the TOU in the context of the arbitration and jurisdiction clauses, as these are threshold issues. The key factual differences between these cases concern how the TOU were assented to—i.e., the actual mechanics of assent and how it is recorded.

Although the line of cases governing TOU evolved from shrinkwrap cases, the idea of limiting rights to a product by providing TOU is almost as old as U.S. copyright law. In *Wheaton v. Peters,*[3] the Supreme Court rejected Wheaton's attempt to protect its Supreme Court reporter, which contained annotations and summaries of the arguments in the Supreme Court, albeit through copyright and not contract law.[4] Similarly, in *Bobbs-Merrill Co. v. Straus,*[5] the Supreme Court rejected the publisher's attempt to dictate a $1 price for its books to Macy's by providing a notice in the book that a sale at a different price would be treated as an infringement. The Court held that "a notice in the book that a sale at a different price will be treated as an infringement is ineffectual as against one not bound by contract or license agreement."[6]

As shown below, courts today have held that Web site users are bound by shrinkwrap, clickwrap, and now browsewrap TOU in certain circumstances.

II. Clickwrap: Clicking "I Agree" as Acceptance

In *Moore v. Microsoft Corp.,*[7] a user of a software product brought an action in New York State court to recover damages for deceptive trade practices. The trial court granted Microsoft's motion to dismiss. On appeal, the Appellate Division upheld the dismissal, finding that TOU were a binding contract when assented to by users who clicked "I Agree" before downloading software from Microsoft's Web site. The court found that the TOU were prominently displayed and that the affirmative step of clicking "I Agree" was required. Although the actual terms were not displayed, the user had an opportunity to "read the license at leisure" prior to downloading the software.[8] The court found further that the TOU successfully disclaimed express or implied warranties and therefore precluded the plaintiff's causes of action.[9]

In *Facebook, Inc. v. Power Ventures, Inc.,*[10] Facebook filed an action in the Northern District Court of California against Power Ventures, an Internet service that collected user information from Facebook's Web site, claiming, among other things, that Power Ventures violated the Facebook TOU and infringed its copyright rights. Facebook's developer-specific TOU granted third parties a limited license to create applications that interacted with Facebook's proprietary network only using Facebook Connect. Power Ventures bypassed the Facebook Connect program by scraping data off the Facebook site and providing its users with access to the information in the Power Ventures environment. The court, relying on *Ticketmaster LLC v. RMG Techs, Inc.,*[11] rejected Power Ventures's motion to dismiss, finding that Power Ventures had violated the Facebook assented to TOU by making RAM copies of Facebook's Web site in order to access the user data. The court stated that defendants "need only access and copy one page to commit copyright infringement."[12]

In *Specht v. Netscape Communications Corp.,*[13] Netscape sought to compel arbitration in accordance with an arbitration clause in the TOU for downloading free software. The Netscape arbitration provision required arbitration of "all disputes relating to this Agreement (excepting any dispute relating to intellectual property rights)." On its Web site, Netscape offered users the opportunity to download the free software onto their hard drives by clicking a button labeled "Download." The district court found that Specht was not bound by the TOU because he never obtained or used the software, and his only connection to Netscape was that users of his Web site could download files using the Netscape software.[14]

On appeal, the Second Circuit, in an opinion by Judge Sonia Sotomayor, applied a two-tiered test to determine whether there had been acceptance of the TOU: whether there was (i) "reasonably conspicuous notice of the existence of contract terms" and (ii) "unambiguous manifestation of assent to those terms by consumers."[15] The court noted that the only mention of the TOU was in a link located well beyond the download button on the next screen and that a user would have had to scroll down to see the link. After a user began the download, there was no mention of the TOU. The court stated:

> We are not persuaded that a reasonably prudent offeree in these circumstances would have known of the existence of license terms. Plaintiffs were responding to an offer that did not carry an immediately visible notice of the existence of license terms or require unambiguous manifestation of assent to those terms.[16]

III. Browsewraps Enforced

TOU that do not require the user to click "I Agree" but operate by binding the user through use of a Web site are referred to as "browsewrap" agreements. In *Southwest Airlines Co. v. BoardFirst, L.L.C.* [17] the court held that "the validity of a browsewrap license turns on whether a website user has actual or constructive knowledge of a site's terms and conditions prior to using the site."[18] The defendant charged Southwest passengers to get the popular "A" group Southwest boarding passes. The posted Southwest TOU stated: "Unless you are an approved Southwest travel agent, you may use the Southwest web sites and any Company Information only for personal, non-commercial purposes."

Southwest sent BoardFirst two cease-and-desist letters advising BoardFirst that its conduct violated the Southwest Web site TOU, but BoardFirst did not stop or change its conduct. Southwest sued in the Northern District of Texas seeking to enjoin BoardFirst from using the Southwest Web site for commercial purposes and to recover damages based on BoardFirst's use of the Web site. The court granted the injunction, holding that "[d]espite having actual knowledge of the Terms, BoardFirst has continued to use the Southwest site in connection with its business. In so doing BoardFirst bound itself to the contractual obligations imposed by the Terms."[19]

Register.com, Inc. v. Verio, Inc.[20] is another case in which the court held that TOU can be enforceable in the absence of express acceptance where the user has continuous or repeated interaction with the site. Register.com is an Internet domain name registrar. Verio, a competitor, developed an automated software program robot (bots) to access the WHOIS[21] database maintained by accredited registrars in order to quickly reach potential customers in need of Web-hosting services. The TOU, which appeared at the top of every WHOIS record provided by Register.com, restricted use of the WHOIS database for mass unsolicited or commercial advertising.[22] Verio admitted to repeatedly using bots to access the WHOIS database though the Register.com Web site to gather marketing information about registrants. Register.com argued that Verio's use of the bots to search the WHOIS database constituted breach of contract, trespass to chattels, violation of Computer Fraud and Abuse Act (CFAA),[23] and trademark infringement. The district court granted an injunction based on all claims. On appeal, the Second Circuit affirmed.[24]

IV. Traditional Manually Signed Agreement Incorporating Web site TOU

Many transactional agreements incorporate TOU by reference within the body of the agreement.[25] In some cases, TOU cross-link to other TOU. The binding nature of such incorporation by reference was examined recently in *Fu Da Int'l v. Kohl's Dep't Stores, Inc.*[26] The parties had entered into a Vendor Purchase Agreement with a traditional manual signature. The agreement did not contain a forum-selection clause but referred to the TOU posted on the defendant Kohl's Web site. The plaintiff, Fu Da, brought an action for money damages, which Kohl's moved to dismiss based on a forum-selection clause in its posted TOU. In support of the motion, Kohl's submitted a printout of the TOU, which contained a forum-selection provision stating that any suit, action, or proceeding had to be brought in Wisconsin.

The court found "no evidence that Fu Da agreed to the forum selection clause or the other provisions of the Terms and Conditions or that the Terms and Conditions or any forum selection clause existed on Kohl's website at the time of execution of the Vendor Support Agreement."[27] The court further noted that

> [i]f Kohl's added the forum selection clause to its website after Fu Da signed the Vendor Purchase Agreement, it would be unenforceable without evidence of Fu Da's clear and unequivocal agreement to such clause because it would be an improper material alteration to the Vendor Purchase Agreement.[28]

V. Amending TOU

Many TOU incorporate boilerplate language stating that the TOU are subject to amendment or modification or that new conditions may be imposed, at any time, with or without notice in the Web site owner's sole discretion, and that any such changes or additions will be valid and binding when posted. Courts recently have considered whether such amendments are binding.

In *Harris v. Blockbuster Inc.*,[29] for example, Harris, a user, sued Blockbuster in the Northern District of Texas based on a violation of the Video Privacy Protection Act (VPPA).[30] Blockbuster, the operator of an online video rental service, had entered into an agreement with Facebook pursuant to which Blockbuster transmitted and posted user rental history to their Facebook profiles. Blockbuster did not secure user consent to share this information, but each user was required to click on a box certifying that he or she had read the TOU before joining Blockbuster Online. Harris claimed that Blockbuster's actions violated the VPPA, which prohibits disclosure of customer personally identifiable information without the customer's prior written consent and provides for $2,500 in liquidated damages per violation.[31]

Blockbuster sought to enforce the arbitration provision in the TOU. The court, however, held that the arbitration provision was illusory because Blockbuster reserved the right to modify the TOU, including the arbitration provision, "at its sole discretion" and "at any time," with such modifications assertedly being effective immediately upon posting. The court concluded that "there is nothing in the Terms and Conditions that prevents Blockbuster from unilaterally changing any part of the contract other than providing that such changes will not take effect until posted on the website."[32]

In *Margae, Inc. v. Clear Link Techs., LLC,*[33] by contrast, Margae, an Internet marketing company, entered into a Partner Agreement with Clear Link by clicking "I accept these terms" to provide affiliate marketing services. The Partner Agreement granted Clear Link the unilateral right to modify the contract by posting an Amended Agreement on its Web site. Clear Link posted an Amended Agreement on its site a month later that contained an arbitration clause. Margae contended that the arbitration clause should not be enforced for a variety of reasons, but the court disagreed, holding that

> Margae had reason to continually visit the website that contained a link to the Amended Agreement, and Margae easily could have checked for updates to the Partner Agreement at any time. Moreover, Margae was a sophisticated corporation being paid for its services on a monthly basis. In that context, monitoring for updates is not unduly burdensome. Margae cites several cases holding that similar internet modification provisions were unconscionable. Those cases, however, are distinguishable because they involved a corporation unilaterally changing its relationship with consumers via changes to a website. Here, the court is faced with internet-savvy corporate parties that entered a contract on the internet and agreed to make changes through the internet.[34]

Similarly, in *MySpace, Inc. v. Globe.com, Inc.*[35] the court found that the defendant, Globe.com, assented to TOU when setting up 95 accounts and using the accounts to send marketing e-mails between January 2006 and May 2006. During that time, MySpace changed its TOU four times. Each TOU provided: "MySpace.com may modify this Agreement from time to time and such modification shall be effective upon posting by MySpace.com on the Website. You agree to be bound to any changes to this Agreement when you use the Service after any such modification is posted."[36] In March 2006, MySpace added a liquidated damages provision of $50 per unsolicited e-mail. The court found that Globe.com "knew, or should have known, that all messages, even those sent from pre-March 17 accounts were subject to the liquidated damages provision."[37] The court held that Globe.com breached the TOU and granted MySpace liquidated damages of $50 per e-message sent after March 17, 2006.[38]

VI. Users Bound When Using Third-Party Account

A party that has not assented to TOU but uses a service through the account of someone who has assented is bound by the TOU as if they had assented. *Motise v. America Online, Inc.*[39] held that a user who used a Web site while it was logged in under another user's account was bound by the account's TOU. The user had "derivative rights" and could not have more rights than the logged-in account originator who had agreed to the account TOU. (The *Specht* court addressed the same issue when determining that Specht did not receive a direct benefit under the Netscape TOU and therefore was not a third-party beneficiary.[40])

VII. How to Structure TOU

Structuring user assent to TOU is a sensitive question. The more steps a user must complete, the more likely TOU are to be enforced, but the actual assent process is usually driven by business considerations. A business's concern is to keep potential users and sales and not to scare away profits with legal jargon. In the end, a decision has to be made that balances the interests of the business and the value of each sale against the importance of the enforceability of the TOU in a given transaction. In addition, it is worthwhile to consider the likelihood of a user breach of the TOU and how much impact such a breach would have on the business. The more important the agreement and the more impact a breach would have, the more formal the assent process should be. Clicking "I Agree" may be sufficient for a consumer user, and even a posted browsewrap may suffice, but a financial institution should consider having a user type out "I Agree" or having the TOU appear as a pop-up with a mandatory scroll to the bottom of the TOU.

Once a site is in beta, it makes sense to do a trial run through the TOU acceptance process from a user's perspective to see how an account is created. For clickwraps, make sure that when given the choice between "I Accept" and "No, I Reject," the "No" response does not grant the user access. This may be obvious, but it should be verified.

In addition, Web site owners should create regular business records that document the TOU. When the TOU changes, the update should be noted and archived so it is clear what version was in place at a given time. Careful thought should be given to how new TOU are rolled out, specifically considering the type of notice to be provided and process that will be put in place to secure assent to the new or revised TOU.

Finally, add a severability clause. Although it is a standard provision in contracts, severability clauses often are left out of TOU. Such a provision may be useful in cases such as *Harris* in which the court finds TOU or a provision thereof illusory.

Endnotes

1. The term "clickwrap" comes from the common software industry practice known as "shrinkwrap" licensing, where the license becomes effective after the buyer tears the wrapping from the package without having an opportunity to review the terms before assent. The shrinkwrap license in *ProCD v. Zeidenberg*, 86 F.3d 1447 (7th Cir. 1996) was held enforceable when Zeidenberg, who purchased a CD-ROM created by ProCD, was bound by the TOU contained in the manual, on the CDs and on the user screen each time the software loaded. The TOU imposed different fees based on use and Zeidenberg was paying for personal use when he was actually using the software for commercial purposes. This court also rejected the idea that federal copyright preempted state contract and UCC claims with respect to software licenses.
2. *Moore v. Microsoft Corp.*, 293 A.D.2d 587 (N.Y. App. Div. 2002).
3. 33 U.S. 591 (1834).
4. It is interesting to note that today, Wheaton would choose to use a shrinkwrap or clickwrap and likely would be able to protect large portions of its work—not the actual Supreme Court decisions, but likely the commentaries and summaries.
5. 210 U.S. 339 (1908).
6. *Id.* at 340.
7. 293 A.D.2d 587.
8. *Id.* at 587.
9. *Id.* at 588.
10. *Facebook, Inc. v. Power Ventures, Inc.*, No. C 08-5780 JF (RS), 2009 U.S. Dist. LEXIS 42367 (N.D. Cal. May 11, 2009).
11. *Ticketmaster LLC v. RMG Techs, Inc.*, 507 F. Supp. 2d 1096 (C.D. Cal. 2007).
12. *Facebook, Inc.*, 2009 U.S. Dist. LEXIS 42367 at *11.
13. *Specht v. Netscape Communications Corp.*, 306 F.3d 17 (2d Cir. 2002).
14. *Specht v. Netscape Communications. Corp.*, 150 F. Supp. 2d 585, 597 (S.D.N.Y. 2001). The court provides a good summary analysis of the state of the law at that time.
15. *Specht*, 306 F.3d at 35.
16. *Specht*, 306 F.3d at 31.
17. *Southwest Airlines Co. v. BoardFirst, L.L.C.*, No. 3: 06-CV-0891-B2007, 2007 U.S. Dist. LEXIS 96230, at *15 (N.D. Tex. Sept. 12, 2007).
18. *Id.* at *5.
19. *Id.* at *21.
20. *Register.com, Inc. v. Verio, Inc.*, 126 F. Supp. 2d 238 (S.D.N.Y. 2000).
21. The WHOIS database contains the registration and contact information for domain name registrants.
22. *Id.* at 420. The TOU provided in part: "By submitting a WHOIS query, you agree that you will use this data only for lawful purposes and that, under no circumstances will you use this data to: (1) allow, enable, or otherwise support the transmission of mass unsolicited, commercial advertising or solicitations via direct mail, electronic mail, or by telephone; or (2) enable high volume, automated, electronic processes that apply to Register.com (or its systems). The compilation, repackaging, dissemination or other use of this data is expressly prohibited without the prior written consent of Register.com. Register.com reserves the right to modify these terms at any time. By submitting this query, you agree to abide by these terms."
23. 18 U.S.C.S. § 1030. A civil claim under the CFAA requires plaintiff to show that damage to its computer systems was $5,000 or more.
24. *Register.com, Inc. v. Verio, Inc.*, 356 F.3d 393, 404 (2d Cir. 2004).
25. An example of such incorporation would be: "In addition to terms and conditions of this Agreement, you agree to be bound by our branding and shipping policy located at www.companyX.com/policy."
26. *Fu Da Int'l v. Kohl's Dep't Stores, Inc.*, No. 08 Civ. 5164 (HB), 2009 U.S. Dist. LEXIS 3860 (S.D.N.Y. Jan. 21, 2009).
27. *Id.* at *5.
28. *Id.* at *8.
29. *Harris v. Blockbuster Inc.*, No. 3:09-CV-217-M, 2009 U.S. Dist. LEXIS 31531 (N.D. Tex. Apr. 15, 2009).
30. 18 U.S.C. § 2710. Section (b)(1) of the VPPA provides that it is a wrongful disclosure of video tape rental or sale records if a video tape service provider knowingly "discloses, to any person, personally identifiable information concerning any consumer of such provider shall be liable to the aggrieved person for the relief" including "actual damages but not less than liquidated damages in an amount of $2,500" and punitive damage. 18 U.S.C. § 2710 (c)(2) (A) and (B).
31. 18 U.S.C. § 2710 (c)(2) (A) and (B).
32. *Harris*, 2009 U.S. Dist. LEXIS 31531, at *6.
33. *Margae, Inc. v. Clear Link Techs.*, LLC, No. 2:07-CV-916 TC, 2008 U.S. Dist. LEXIS 46765 (D. Utah June 16, 2008).
34. *Id.* at *19.
35. *MySpace, Inc. v. Globe.com, Inc.*, No. CV 06-3391-RGK (JCx), 2007 U.S. Dist. LEXIS 44143 (C.D. Cal. Feb. 27, 2007).
36. *Id.* at *31.
37. *Id.*
38. *Id.* at *32.
39. *Motise v. America Online, Inc.*, 346 F. Supp. 2d 563, 566 (S.D.N.Y. 2004).
40. *Specht*, 306 F.3d at 40.

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Parallel Imports: How Courts Distinguish "Genuine" from "Non-Genuine" Goods Under the Lanham Act

By Lisa W. Rosaya, Marcella Ballard, and Joi Michelle Lakes

I. Introduction

Trademark owners engage in careful research and marketing before sending their products to a select group of distributors. It is no surprise, therefore, that they want to retain control over the sale of their goods after they enter the marketplace. In the United States, however, trademark owners are limited in their ability to control the sale of their goods after the initial distribution. The Lanham Act does not prohibit the sale of goods deemed to be "genuine" even, in some cases, where the alleged infringer has subverted authorized distribution channels.[1] Conversely, the sale of "non-genuine" goods constitutes trademark infringement, for which the trademark owner can obtain relief.[2] Courts use the terms "genuine" and "non-genuine" (which we use without quotes in the rest of this article) to refer to goods that, respectively, may and may not be imported outside authorized distribution channels.

Generally, goods imported into the United States bearing trademarks that infringe those of a U.S. trademark owner can be stopped in three ways: (1) by U.S. Customs Border Protection (pursuant to 19 C.F.R. § 133.01 *et seq.*); (2) under the Tariff Act (19 U.S.C. § 1202-1527); and (3) under the Lanham Act (15 U.S.C. § 1051 *et seq.*). This article discusses a recent Second Circuit decision, *Zino Davidoff SA v. CVS Corporation*,[3] which extended the protection available to brand owners in their fight against parallel imports. It also addresses the differing approaches U.S. courts have taken to determining whether goods are genuine under the Lanham Act and compares the U.S. approach with that taken in Europe. Finally, it offers suggestions to trademark owners regarding use of the courts to prevent parallel imports.

With the possible exception of the Ninth Circuit, in determining whether goods are genuine most U.S. courts examine whether the goods in question have undergone the same quality-control procedures as the domestic goods and whether the parallel imports are "materially different" from the domestic goods. In this analysis, courts consider factors such as physical differences between the goods; differences in the labeling or packaging of the goods; differences in coverage of warranty and service plans; and differences in quality-control measures such as batch codes, serial numbers, and unique production codes ("UPCs").

U.S. trademark holders may be able to better curb unwanted parallel imports by maintaining high quality-control standards and by differentiating U.S. goods from those that may be sold elsewhere under the same marks.

II. The Lanham Act Permits the Importation of Genuine Goods

Parallel imports have been defined as "goods made by a foreign manufacturer, legitimately sold abroad under a particular trademark, . . . imported into the United States and sold in competition with goods of the owner of [the U.S.] trademark rights in the identical marks."[4] Courts have wrestled with the question of whether goods sold outside the United States and imported into the United States without the consent of the U.S. trademark owner are infringing parallel imports under the Lanham Act (in particular, §§ 32,[5] 42[6] and 43[7] of the Act) or genuine goods from another country that were sold lawfully in the United States.

Parallel imports, sometimes referred to as "gray market goods," are a bane to trademark owners who wish to control the quality of the manufacture and distribution of their products. Parallel importing enables third-party retailers, wholesalers, and other parties to bypass the official or authorized U.S. suppliers and licensees of trademarked goods and obtain the goods directly from foreign sources—effectively creating competition between the goods offered for sale by the domestic parties and foreign sources of goods bearing the same trademarks. Indeed, because goods are often priced differently within different markets, parallel imports sometimes are sold for less than their domestic counterparts, thereby frustrating the domestic brand owner's effort to control the overall public perception of its products.

In the Second Circuit, two standards have emerged to determine if "gray market" goods are genuine and therefore can be sold lawfully: (1) the "quality control" standard and (2) the "material differences / intended for U.S. sale" standard.[8] Under the "quality control" standard, goods are not genuine if the trademark holder cannot control the quality of goods sold by a distributor, even if the goods have no actual quality problems.[9] Under the "material difference / intended for U.S. sale" standard, a product cannot be considered genuine if (1) it was not intended for sale in the United States and (2) it differs materially from the actual, authorized good, as offered for sale.[10] We discuss each of these standards below.

III. The "Quality Control" Standard

A. The Second Circuit

The Second Circuit is often recognized as the circuit in which the "quality control" theory has been most thoroughly developed.[11] Recently, in *Zino Davidoff SA v. CVS Corporation*,[12] the court extended the definition of quality control to include control over UPCs used on product packaging. UPC labels bear multi-digit codes, unique to each unit of a product, that are embedded with a variety of information about that particular unit, including its time and place of production, production line, ingredients used, distributor, and intended customer.

The plaintiff, Davidoff, had a comprehensive quality-control and anti-counterfeiting program under which it utilized UPC numbers to recall products with quality problems, identified counterfeit goods bearing fake UPC numbers, and instructed both its retailers and officers of U.S. Customs and Border Protection on preventing counterfeits. The defendant, CVS, a large retail drugstore chain, was selling parallel imports of Davidoff's COOL WATER fragrance from which it had removed the UPCs.

Davidoff sued CVS for trademark infringement in the Southern District of New York. Judge Kenneth M. Karas granted Davidoff a temporary restraining order and the right to inspect all undistributed products in CVS's inventory bearing Davidoff's marks. During the inspection, Davidoff discovered that on 16,600 items bearing Davidoff trademarks in CVS's inventory the UPC had been removed by cutting, grinding, and / or chemically dissolving the product's packaging or labeling. Davidoff then sought, and was granted, a preliminary injunction forbidding the sale of its trademarked goods where the UPC had been removed.

On appeal, CVS argued that despite being gray market imports, the goods from which UPCs had been removed were genuine and were still sold in their original packaging with the Davidoff trademarks clearly visible and unaltered. In a decision written by Judge Pierre N. Leval, the Second Circuit rejected this argument, holding that the place or method of purchase did not absolve CVS of liability. The court concluded that the removal of Davidoff's UPCs "interfered unlawfully with Davidoff's trademark rights regardless of whether the goods were originally authorized by Davidoff for sale in the United States or elsewhere."[13] The court emphasized that retailers who tamper with a trademark owner's quality-control mechanisms cannot argue that the goods are genuine and thus noninfringing.

In prior decisions, the Second Circuit had established a test for determining whether a plaintiff's quality-control mechanisms had been circumvented, rendering the product non-genuine: "The trademark holder must demonstrate only that: (i) it has established legitimate, substantial, and nonpretextual quality control procedures, (ii) it abides by these procedures, and (iii) the non-conforming sales will diminish the value of the mark."[14] In *El Greco Leather Prods.*[15] the court observed that "[o]ne of the most valuable and important protections afforded by the Lanham Act is the right to control the quality of the goods manufactured and sold under the holder's trademark."

Consistent with these rulings but extending "quality control" to include a brand owner's ability to maintain its UPCs intact, the court held in *Davidoff* that "goods are not genuine if they do not conform to the trademark holder's quality control standards . . . or if they differ materially from the product authorized by the trademark holder for sale."[16] The court noted Davidoff's actual reliance on its UPC-based anti-counterfeiting program and concluded that CVS's destruction of the UPC labels would increase the risk that counterfeit goods would be sold at retail. It also noted that destruction of the UPC labels would impair Davidoff's ability to recall goods on quality grounds, which the company had done in the past.

B. The Ninth Circuit

The Ninth Circuit's approach to parallel imports has traditionally been more liberal than those of the circuits to its east. Although it has not gone as far as to expressly reject the Second Circuit's "quality control" theory, the Ninth Circuit is willing to apply it only where the defect in quality affects the product itself and is not readily detectable by consumers.[17] Where the defect is not latent and can be disclosed to consumers by means of a disclaimer, the Ninth Circuit has been hesitant to find trademark injury.

In *Enesco*,[18] for example, the defendant, Costco, a bulk discount retailer, repackaged the plaintiff's PRECIOUS MOMENTS trademarked figurines in blister packaging which, the plaintiff alleged, did not provide adequate protection. The Ninth Circuit agreed that Costco could be held liable for trademark injury for failing to disclose that Costco (and not the manufacturer) had repackaged the figurines, but it refused to award any redress beyond requiring Costco to publicly disclose its repackaging of the products.[19]

Trademark owners that are wholly owned and controlled subsidiaries of a foreign manufacturer also may be hindered in their ability to curtail parallel imports in the Ninth Circuit. In *NEC Electronics v. Cal Circuit ABCO*[20] the Ninth Circuit concluded that where a foreign manufacturer owns the domestic trademark owner, there is no danger that the domestic trademark owner will be unable to control the quality of the imported products. Accordingly, it held that parallel imported goods from foreign manufacturers are presumptively genuine where such common control exists.

After *NEC Electronics*, district courts in the Ninth Circuit have held that even material differences between foreign and domestic products did not merit an injunction against importation of the foreign products where there is common control because the trademark owner's goodwill resides with one entity.[21]

In 2005, in *American Circuit Breaker Corp. v. Oregon Breakers, Inc.*,[22] the Ninth Circuit moved away from its focus on common control and rejected the plaintiff's request for injunctive relief based on the fact that the trademarked goods were stipulated to be genuine by both parties. Some have read this decision as a signal that the Ninth Circuit "has moved to the majority view that material differences in the goods is the key to resolving gray goods cases."[23] But if the decision signaled a change, it was only a slight one. *American Circuit Breaker* cites *NEC Electronics* as precedent, and although it avoids the issue of common control, it does not specifically state that the "common control" rule no longer trumps the "material differences" rule.[24]

Until the Supreme Court resolves the circuit split or the Ninth Circuit clearly states that material differences can give rise to trademark infringement even where the domestic mark holder and foreign manufacturer are under common control, the Ninth Circuit may be a less desirable venue for trademark holders attempting to curtail imports of gray goods.

IV. The "Material Differences" Standard

For trademark owners concerned less about the circumvention of quality-control measures than about the parallel import of foreign versions of their products that differ from what their U.S. customers expect, the "material differences" standard may be more useful.[25] Prior Second Circuit cases approached the question of material differences as the second half of an inquiry, the first half of which was whether the goods were intended for sale in the United States.[26] In *Davidoff*, the court made clear that it does not matter whether the goods were parallel imports or not—sale with a defaced quality-control mechanism made them non-genuine.[27]

Other circuits have summed up the material differences standard in more concrete terms than the Second. In the First Circuit, for example, a material difference is "any difference between the registrant's product and the allegedly infringing gray good that consumers would likely consider to be relevant when purchasing a product."[28] In so holding, the court focused on aspects of the product such as ingredients and price as well as quality control.[29] In line with the Second Circuit's "intended for U.S. sale" standard, the First Circuit held the defendant's sale of cheaper, different-recipe Venezuelan chocolates to be infringing because of differences in (i) the quality-control procedures exercised over the goods by plaintiff and defendant; (ii) the composition (recipe); (iii) the variety of shapes; (iv) aesthetics in the packaging; and (v) price.[30] The court specifically noted the threshold for materiality was very low and that almost any difference of interest to a consumer would suffice.

In the Eleventh Circuit, likewise, a material difference is "one that consumers consider relevant to a decision about whether to purchase a product."[31] For example, when faced with the same factual situation as the Second Circuit in *Davidoff*, the Eleventh Circuit did not consider the question of quality control with respect to UPCs and instead focused entirely on whether defacing the product codes constituted a material difference.[32]

The Tenth Circuit also utilizes a standard that considers the existence of differences that consumers would find relevant to the purchasing decision. In *Beltronics USA Inc. v. Midwest Inventory Distribution, LLC*,[33] a case involving differences in warranty protection for radar detectors, the court followed the First and Federal Circuits and held that in determining whether a difference is material, the court should examine whether the consumer would consider the difference relevant to his purchasing decision. Specifically, the court held that the lack of warranty protection on the products distributed by the defendant made them materially different from the genuine article. The court pointed out that the point of the material difference test is to avoid confusion, and had the defendants taken the "necessary steps to adequately alleviate this confusion . . . by, for example, sufficiently disclosing that the product differs from the originally sold product"[34] by lacking warranty and service coverage, the case might have come out differently.

Notably, not all district courts in other circuits have found that defacing serial codes merits injunctive relief. For example, the Eastern District of Arkansas held that there was no material difference between the plaintiff's professional hair care products and the gray goods bearing plaintiff's trademark that the defendant discount retailer had offered for sale with the plaintiff's product batch codes obliterated.[35] The court reasoned that the removal of the codes resulted in only "minor aesthetic damage" to the products that would not negatively affect consumer perception as to plaintiff's marks.

By contrast, the Second Circuit noted in *Davidoff* that UPC tampering could destroy the value of the product because of the damage done to the distinctive packaging. Such tampering had the potential to make the products "materially different" from the genuine products and could be independent grounds for the trademark owner's trademark infringement claims.[36]

V. Recent Foreign Parallel Import Decisions

In comparison to the United States, preventing the sale of parallel imports is easier in Europe, at least when the goods are being imported from outside Europe. Article 5 of the Trade Marks Directive provides that a trademark owner in a member state is entitled to prevent third parties from importing foreign goods bearing the mark owner's mark into the European Economic Area (EEA).[37] However, the trademark owner cannot prevent the import or sale of the goods if the goods have been "put on the market" in the EEA by the trademark owner or with its consent.[38]

A trademark owner also can use its rights to prevent further dealings where "there exist legitimate reasons for the proprietor to oppose further commercialization of the goods, especially where the condition of the goods is changed or impaired after they have been put on the market."[39] Thus, a trademark holder seeks to establish that the parallel imported products were not "put on the market" in the EEA by or with their consent or that it has some other legitimate reason for opposing further dealings, while the parallel importer seeks to establish the opposite.

Davidoff was also the mark holder in a significant case before the European Court of Justice, upon question from the High Court of Justice of England and Wales, Chancery Division.[40] Davidoff held registrations for its COOL WATER and DAVIDOFF COOL WATER trademarks in the United Kingdom. The products were marked with batch code numbers intended to ensure compliance with U.K. cosmetic products safety regulations. The defendant, A&G Imports Ltd., acquired Davidoff products originally placed on the market in Singapore and imported the products into England for sale with their batch code numbers removed or obliterated. Davidoff argued that the goods had not been put on the market in the EEA and that it had not consented to the sale of the goods in the EEA. Even if it had consented, Davidoff argued, "legitimate reasons" to oppose further commercialization existed because the removal of the batch code numbers changed and impaired the condition of the goods.

The Court of Justice did not find it necessary to decide whether the destruction of the batch code numbers constituted a change or impairment in the condition of the goods. But the Advocate General's opinion argued that "the legitimate reasons which justify a trademark proprietor in opposing further commercialization of products bearing the trade mark include any actions of third parties which seriously affect the value, allure, or image of the trade mark or the products which bear that mark."[41] The Advocate General would have left a determination of whether the removal of the batch code numbers was "sufficiently serious" to damage the reputation of the trademark holder to the national court.[42] This inquiry appears analogous to the U.S. analysis as to whether there are "material differences" between the goods bearing the U.S. trademark holder's mark and the parallel imported goods.

European mark holders must confront other questions, such as when are the goods "put on the market" for the purposes of the Directive. The ECJ soon will be looking at that question as both parties appeal conflicting results handed down from the district court at The Hague in November 2008 and January 2009.[43] Coty, acting on behalf of its licensor Davidoff, sought to prevent Simex Trading's unauthorized sale of tester samples of Davidoff's COOL WATER products that were distributed to Coty's retailers. The District Court of The Hague initially held that the defendants had failed to establish that the testers were put on the market within the EEA, but it held two months later that the sale of the testers did not infringe the trademark because Coty's rights were exhausted when Coty supplied the testers to retailers free of charge under the stipulation that the testers could not be sold. The question of whether such goods are "on the market" for the purpose of the statute is now on appeal at docket number Case C-127/09.

VI. Conclusion

While preventing the sale of parallel imports in the U.S. is difficult for trademark owners, it is not impossible. Mark owners must be vigilant in determining whether goods on the market in the U.S. are of the quality and variety domestic consumers expect. Brand owners should have adequate quality-control procedures in place, as this will likely strengthen their cases before most U.S. courts when trying to stop parallel imports.

As a practical matter, when drafting licenses, pay close attention to setting out proper quality-control procedures, as courts may look to the brand owners' licenses to substantiate claims of quality-control violations. As indicated in the recent *Davidoff* decisions, a thorough and far-reaching quality-control program that is subverted by the alleged infringer will cause an arguably genuine good to be found infringing.

Endnotes

1. *Johnson & Johnson Consumer Cos., Inc. v. Aini*, 540 F. Supp. 2d 374, 385 (E.D.N.Y. 2008).
2. *See Helene Curtis v. Nat'l Wholesale Liquidators, Inc.*, 890 F.Supp. 152, 157 (E.D.N.Y. 1995).
3. *Zino Davidoff SA v. CVS Corporation*, 07 Civ. 2872, 2009 U.S. App. LEXIS 13172 (2d Cir. June 19, 2009).
4. *Helene Curtis.*, 890 F. Supp. at 154.
5. "Any person who shall, without the consent of the registrant, use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive. . . . shall be liable in a civil action by the registrant for the remedies hereinafter provided." 17 U.S.C. § 1114(1)(a).
6. "[N]o article of imported merchandise which shall copy or simulate the name of any domestic manufacture . . . or which shall copy or simulate a trademark registered in accordance with the provisions of this chapter or shall bear a name or mark calculated to induce the public to believe that the article is manufactured in the United States, or that it is manufactured in any foreign country or locality other than the country or locality in which it is in fact manufactured, shall be admitted to entry at any customhouse of the United States. . . ." 17 U.S.C. § 1124.
7. "Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which . . . is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person . . . shall be liable in a civil action by any person who believes that

he or she is or is likely to be damaged by such act." 17 U.S.C. § 1125(a)(1)(A).

8. *Krasnyi Oktyabr, Inc. v. Trilini Imports.*, No. 05 Civ. 5359, 2007 U.S. Dist. LEXIS 23733, at *21-*22 (E.D.N.Y. Mar. 29, 2007) (emphasis added).
9. *El Greco Leather Prods. Co. v. Shoe World*, 806 F.2d 392, 395 (2d Cir. 1986).
10. *Johnson & Johnson*, 540 F. Supp. 2d at 384-85.
11. *See Enesco Corp. v. Price/Costco Inc.*, 146 F.3d 1083, 1086 (9th Cir. 1998).
12. *Zino Davidoff SA v. CVS Corporation*, 07 Civ. 2872, 2009 U.S. App. LEXIS 13172 (2d Cir. June 19, 2009).
13. *Davidoff*, 2009 U.S. App. LEXIS 13172 at *8.
14. *Warner-Lambert Co. v. Northside Development Corp.*, 86 F.3d 3, 7 (2d Cir. 1996).
15. *El Greco Leather Prods*, 806 F.2d at 395.
16. *Davidoff* , 2009 U.S. App. LEXIS 13172, at *13.
17. *See Enesco*, 146 F.3d at 1087.
18. *Id.* at 1084-85.
19. *Id.* at 1086.
20. *See NEC Electronics v. Cal Circuit ABCO*, 810 F.2d 1506, 1510 (9th Cir. 1987).
21. *See Philip Morris Inc. v. Cigarettes for Less*, 69 F. Supp. 2d 1181, 1187 (N.D. Cal. 1999).
22. *Am. Circuit Breaker Corp. v. Oregon Breakers, Inc.*, 406 F.3d 577, 585 (9th Cir. 2005).
23. J. Thomas McCarthy, McCarthy on Trademarks & Unfair Competition § 29.51 n.37 (4th ed. 2009).
24. *See Am. Cir. Breaker*, 406 F.3d at 584-85.
25. *See, e.g., Novartis Animal Health, Inc. v. Abbeyvet Export Ltd.*, 409 F. Supp. 2d 264 (S.D.N.Y. 2005) (enjoining defendant's sale of British pet medications that were different in flavor and dosage from products offered under the same mark in the United States by plaintiff).
26. *Johnson & Johnson*, 540 F. Supp. 2d at 385.
27. *Davidoff*, 2009 U.S. App. LEXIS 13172 at *10-*11 ("The injunction was justified rather on the basis that the removal of Davidoff's codes interfered unlawfully with Davidoff's trademark rights regardless of whether the goods were originally authorized by Davidoff for sale in the United States or elsewhere.").
28. *Societe des Produits Nestle, S.A. v. Casa Helvetica, Inc.*, 982 F.2d 633, 641 (1st Cir. 1992).
29. *Id.* at 642-43.
30. *See id.* at 642-43.
31. *Davidoff & CIE SA v. PLD Int'l Corp.*, 263 F.3d 1297, 1302 (11th Cir. 2001).
32. *Id.* at 1303-04.
33. *See Beltronics USA Inc. v. Midwest Inventory Distribution*, LLC, 562 F.3d 1067 (10th Cir. 2009).
34. *Id.* at 1080.
35. *Graham Webb Int'l Ltd P'Ship v. Emporium Drug Mark, Inc.*, 916 F. Supp. 909 (E.D. 1995).
36. *Davidoff,* 2009 U.S. App. LEXIS 13172 at *20-*21.
37. First Council Directive (EEC) 89 / 104, art. 5(1), (3)(c).
38. *Id.* at art. 7(1).
39. *Id.* at art. 7(2).
40. Case C-414 / 99, *Zino Davidoff SA v. A&G Imports Ltd.*, 2002 All ER (EC) 55.
41. *Id.* at ¶ 123(4).
42. *Id.* at ¶¶ 117, 121.
43. Case C-127 / 09, *Coty Prestige Lancaster Group GmbH v. Simex Trading AG*.

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Is the Tide Turning in Keyword Advertising Litigation? The Significance of *Rescuecom v. Google*

By Tamara Carmichael and Shelly Elimelekh

I. Introduction

Courts and businesses have been grappling for several years with the issue of whether keyword advertising programs are a form of trademark infringement or dilution. "Keyword advertising" refers to the practice of advertisers paying search engines to display their ads on a search results page in response to certain words or phrases (i.e., keywords) entered by the computer user. The advertiser's ad is in the form of a link to a Web site so that it resembles the other results appearing on the search results page. Some keyword advertising programs, including those offered by two of the world's most popular search engines, Google and Yahoo!, allow anyone to purchase or bid on one or more trademarks owned by others to trigger the display of links / ads on the search results page. This practice has produced a significant amount of litigation.[1]

> *"The focus of these lawsuits will now shift to the question of whether the use is likely to cause consumer confusion."*

Trademark owners have claimed that when an advertiser, and in particular a competitor, selects the owner's trademark as a keyword and uses that keyword to drive traffic to the advertiser's Web site, it infringes the owner's trademark. Trademark owners have filed dozens of suits based on this practice against competitors and the search engines that offer these programs. In their defense, advertisers that do not own famous trademarks contend they are engaging in a legitimate form of targeted online advertising and that they rely on these programs to drive traffic to their sites.

Most of the court decisions involving keyword advertising have focused on whether the search engine's use, or the advertiser's use, of the trademark in this manner is a "use in commerce" under the Lanham Act. (As discussed below, a few courts have also addressed the issue of whether the use is likely to cause confusion.) In general, courts outside the Second Circuit have held that such use is a "use in commerce,"[2] while courts within the Second Circuit have held that it is not[3] or that it is a nominative fair use.[4] In finding no "use in commerce," most of the district courts in the Second Circuit relied on the Second Circuit's 2005 *1-800 Contacts, Inc. v. WhenU.com, Inc.* ("*1-800*") decisions in which the court held that the defendant's program for delivering the pop-up ads in response to keywords was a purely internal use of the plaintiff's mark that did not implicate the Lanham Act.[5]

One of these district court decisions involved a trademark infringement action brought by computer services company Rescuecom Corporation against Google, Inc. The district court, relying on *1-800*, granted Google's motion to dismiss, finding no trademark use.[6] Rescuecom appealed, and the Second Circuit reversed, explaining that the district court had "misunderstood the holding of *1-800*" and holding that Google's keyword advertising program constituted a use in commerce under the Lanham Act.[7]

With *Rescuecom*, the Second Circuit dramatically changed the landscape of litigation involving keyword advertising in courts in the Second Cirtcuit in two ways. First, the Second Circuit now joins most other circuits in finding that keyword advertising programs (at least those similar to those at issue in *Rescuecom*) constitute a "use in commerce." Second, the focus of these lawsuits will now shift to the question of whether the use is likely to cause consumer confusion.

II. The *Rescuecom* Case

Rescuecom is a national computer service franchising company that offers on-site computer services and sales. Rescuecom conducts a substantial amount of business over the Internet and also advertises over the Internet, using many Web-based services, including those offered by Google. Since 1998, "Rescuecom" has been a registered federal trademark.

Google operates a popular Internet search engine. The Google search engine responds to search requests in two ways: (i) it provides a list of links to Web sites, ordered in what Google deems to be of descending relevance to the user's search terms; and (ii) it provides search term-related context-based advertising whereby Google may place advertisements with links to the advertiser's Web site on the user's screen. Google does this if an advertiser has purchased from Google the placement of its ad on the screens of searchers who enter the purchased search term. The two programs used by Google for its context-based links are AdWords and Keyword Suggestion Tool.

The AdWords program allows advertisers to purchase terms (i.e., keywords) that will trigger the display of the advertiser's ad (in the form of a link) on the search engine's results pages. These ads, labeled "Sponsored Links," appear at the top of the search results page or along the right margin. Google's Keyword Suggestion Tool is a program that recommends keywords for advertisers to purchase. At the time Rescuecom commenced its action, Google allowed advertisers to purchase trademarks as keywords, including trademarks owned by the advertiser's competitors.

Rescuecom sued Google in the Northern District of New York for trademark infringement, false designation of origin, and dilution under the Lanham Act, alleging that users would be confused into believing that the advertisements on the screen, which were not clearly identified as advertisements, were in fact part of the relevance-based search result and that the appearance of a competitor's ad and link in response to a user's search for Rescuecom was likely to cause confusion as to Rescuecom's affiliation, sponsorship, or approval of the service. Rescuecom also alleged that its competitors purchased its trademark as a keyword using Google's AdWords program and Keyword Suggestion Tool and that consumers were confused when they entered Rescuecom's trademark as a search term and saw ads for Rescuecom's competitors at the top of the search results page.

A threshold issue in the case was whether Google's AdWords program and Keyword Suggestion Tool constituted a "use in commerce" of Rescuecom's mark under the Lanham Act.[8] As noted, the district court, relying on *1-800*, held that it was not:

> Defendant's internal use of plaintiff's trademark to trigger sponsored links is not a use of a trademark within the meaning of the Lanham Act, either, because there is no allegation that defendant places plaintiff's trademark on any goods, containers, displays, or advertisements, or that its internal use is visible to the public.[9]

In an opinion by Judge Pierre N. Leval, the Second Circuit reversed and remanded, noting that the district court had misunderstood its holding in *1-800*. The court distinguished *1-800* on several grounds. First, it noted that the key element in *1-800* was that the defendant, WhenU.com, did not use, reproduce, or display the plaintiff's mark at all. Rather, the search term that was alleged to trigger the pop-up ad was the plaintiff's Web site address.[10] Moreover, WhenU.com's software program, unlike Google's, did not suggest keywords that were trademarks, and WhenU.com did not allow advertisers to request or purchase keywords to trigger their ads. Instead, WhenU.com's program sorted search terms into categories and then displayed pop-up ads that related to a specific category. In addition to not selling others' trademarks to its customers to trigger ads, WhenU.com "did not otherwise manipulate which category-related advertisement will pop up in response to any particular terms on the internal directory. The display of a particular advertisement was controlled by the category associated with the website or keyword, rather than by the website or keyword itself."[11] The *Rescuecom* court summarized the distinction between the two cases as follows:

> First, in contrast to *1-800*, where we emphasized that the defendant made no use whatsoever of the plaintiff's trademark, here what Google is recommending and selling to its advertisers is Rescuecom's trademark. Second, in contrast with the facts of *1-800*, where the defendant did not "use or display," much less sell, trademarks as search terms to its advertisers, here Google displays, offers, and sells Rescuecom's mark to Google's advertising customers when selling its advertising services. In addition, Google encourages the purchase of Rescuecom's mark through its Keyword Suggestion Tool. Google's utilization of Rescuecom's mark fits literally within the terms specified by 15 U.S.C. § 1127.[12]

Google argued that *1-800* suggests that the inclusion of a trademark in an internal computer directory cannot constitute trademark use, but, in the Second Circuit's view, this argument "over-reads the *1-800* decision." The court pointed out that Google's recommendation and sale of Rescuecom's mark to its advertising customers are not internal uses. In addition, the court pointed out, *1-800* did not imply that use of a trademark in a software program's internal directory precludes a finding of trademark use. "Rather, influenced by the fact that the defendant was not using the plaintiff's trademark at all, much less using it as the basis of a commercial transaction, the court asserted that the particular use before it did not constitute a use in commerce."[13]

In making clear that its holding in *1-800* did not imply that an alleged infringer's use of a trademark in an internal software program insulates the alleged infringer from a charge of infringement without regard to likelihood of confusion, the court stated: "If we were to adopt Google and its *amici's* argument, the operators of search engines would be free to use trademarks in ways designed to deceive and cause consumer confusion. This is surely neither within the intention nor the letter of the Lanham Act."[14]

The court also rejected Google's argument that its use of Rescuecom's trademarks was analogous to "product placement." It pointed out that labeling a practice as "product placement" does not automatically shield it from liability; rather, the practice must be examined to determine whether it is potentially deceptive:

> From the fact that proper, non-deceptive product placement does not result in liability under the Lanham Act, it does

> not follow that the label "product placement" is a magic shield against liability, so that even a deceptive plan of product placement designed to confuse consumers would similarly escape liability. . . . [I]f a retail seller were to be paid by an off-brand purveyor to arrange product display and delivery in such a way that customers seeking to purchase a famous brand would receive the off-brand, believing they had gotten the brand they were seeking, we see no reason to believe the practice would escape liability merely because it could claim the mantle of "product placement."[15]

Examining Google's practices based on Rescuecom's allegations, the court found them to be significantly different from benign product placement. Having found a use in commerce, the court remanded for a determination as to the likelihood of confusion.[16]

III. Analysis

The Second Circuit's decision in *Rescuecom* is in line with a growing consensus that search engine keyword advertising programs constitute a "use in commerce" under the Lanham Act.[17] The Lanham Act provides, in part, that "a mark shall be deemed to be in use in commerce . . . on services when it is used or displayed in the sale or advertising of services and the services are rendered in commerce."[18] Google uses third-party trademarks in two ways that must be considered for purposes of the section 1127 "use in commerce" requirement. First, it uses them connection with the sale of AdWords by charging advertisers for the use of the trademark and by affirmatively recommending that the advertisers use competitors' trademarks as keywords. Second, it acts as a conduit for the advertiser to use third-party trademarks as a way of drawing attention or traffic to its own unaffiliated brand or product.

Nevertheless, it is unclear whether Rescuecom will be able to prove a likelihood of confusion. The Second Circuit has established six primary (although non-exclusive) factors relevant to analyzing the likelihood of confusion: (i) the strength of plaintiff's marks and name; (ii) the similarity of plaintiff's and defendant's marks; (iii) the proximity of plaintiff's and defendant's products; (iv) evidence of actual confusion as to source or sponsorship; (v) sophistication of the defendant's audience; and (vi) defendant's good or bad faith.[19] Only a handful of keyword advertising cases have addressed likelihood of confusion.

In *Fin. Express LLC v. Nowcom Corp.*[20] the court applied the Ninth Circuit's *Sleekcraft* likelihood-of-confusion factors, noting that in the Internet context the three most important factors are the similarity of the marks, the relatedness of the goods or services, and the simultaneous use of the web as a marketing channel. The court held that the plaintiff in that case succeeded in showing that the defendant's practices of domain name registration of the plaintiff's marks, keyword stuffing, and keying created a likelihood of confusion.

The court in *J.G. Wentworth, S.S.C. Ltd. P'ship v. Settlement Funding LLC*[21] took a different approach and rejected the plaintiff's argument that initial-interest confusion would occur when consumers viewed the search results page. Instead, the court explained that

> a link to defendant's website appears upon the search results page as one of many choices for the potential consumer to investigate . . . [and] the links to defendant's website always appear as independent and distinct links upon the search result pages regardless of whether they are generated through Google's AdWords program or search of the keyword meta tags of defendant's website . . . . Due to the separate and distinct nature of the links created upon any of the search results pages in question, potential consumers have no opportunity to confuse defendant's services, goods, advertisements, links, or websites for those of plaintiff.[22]

In *Gov't Employees Ins. Co. v. Google, Inc.*[23] the court found that GEICO had alleged sufficient facts, using consumer surveys, to show a likelihood of confusion when Sponsored Links incorporated GEICO's trademarks in the heading or text of the ad. However, the court also concluded that GEICO had failed to provide sufficient evidence to show a likelihood of confusion when the Sponsored Links did not incorporate GEICO's trademarks.

These cases provide some useful insight regarding how the *Rescuecom* trial court might decide the likelihood-of-confusion issue. Of course, only time will tell how the Second Circuit views keyword advertising from a confusion standpoint. Ultimately, however, Google's policy of allowing the use of trademarks and affirmatively suggesting trademarks as keywords raises three legal questions that will need to be answered: (i) whether the use of trademarks as keywords is *prima facie* trademark use; (ii) whether the advertiser and Google are directly liable for the infringement; and (iii) whether Google is secondarily liable for the infringement.

IV. Next Steps for Trademark Owners and Advertisers

It is becoming increasingly important for companies to monitor the Internet to stay apprised of unauthorized incidents of keyword advertising that may incorporate their trademarks. One can do so by, for example, retaining a third-party vendor, by internal manual searches, or by using search engine alert systems, such as Google Alerts.

If an incident of potentially infringing keyword advertising is discovered, the trademark owner may, of course, bring a trademark infringement action in district court. But a better practice is to first notify the relevant search engine(s) and demand that they take down the offending ad. Both Google and Yahoo! have established policies and procedures for submission of concerns and objections by trademark owners. Both search engines will investigate the submission, and if, in the case of Google, a determination is made that the advertiser is using the trademark in ad text in violation of Google policy or if, in the case of Yahoo!, the advertiser fails to comply with Yahoo!'s nominative use standards, the ad may be removed.

"Trademark owners should be vigilant in monitoring advertisers' use of their trademarks yet cautious in determining what action to take when their trademarks appear as part of keyword advertising."

Notably, on May 14, 2009, following the Second Circuit's *Rescuecom* decision, Google announced a new U.S. trademark policy.[24] Previously, Google had allowed an advertiser to select another's trademark as a keyword but did not allow an advertiser to use another's trademark in the text of the "Sponsored Link." Under the new policy, Google allows the use of a trademark in the ad text when (i) the trademark is used in a descriptive or generic manner and does not refer to the trademark owner or to the goods or services corresponding to the trademark term or (ii) the trademark is used in a nominative manner to refer to the trademark or its owner, specifically in connection with: (a) resale of the trademarked goods or services (the advertiser's site must sell or clearly facilitate the sale of the goods or services corresponding to a trademark term), (b) sale of components, replacement parts, or compatible products corresponding to a trademark, or (c) informational sites (the primary purpose of which must be to provide non-competitive and informative details about the goods or services corresponding to the trademark term).[25]

Some state legislators also have begun to address keyword advertising. For example, a bill was recently introduced in Utah that would prohibit the use of a trademark by someone other than the trademark owner "to deliver or display an advertisement in Utah that is in response to a request submitted to an interactive information service and that is a bad-faith attempt to divert a consumer from the trademark owner's goods or services." The bill would allow a trademark owner to file an action to stop the display of the keyword advertisement in Utah.

V. Conclusion

Because the law remains unsettled with respect to both the "use in commerce" and "likelihood-of-confusion" keyword advertising issues, and given the fact-specific nature of the inquiries, there continues to be risk not only for advertisers using trademarks as keywords but also for trademark owners insofar as their likelihood of success in a trademark infringement action is concerned. Trademark owners continue to file suits alleging that keyword advertising programs constitute trademark infringement. For example, Rosetta Stone Ltd. sued Google in July 2009, claiming that Google "[w]ithout authorization or approval from Rosetta Stone . . . has sold to third parties the 'right' to use the Rosetta Stone Marks or words, phrases, or terms confusingly similar to those marks, as 'keyword' triggers that cause paid advertisements, which Google calls 'Sponsored Links,' to be displayed. . . ."[26]

Trademark owners should be vigilant in monitoring advertisers' use of their trademarks yet cautious in determining what action to take when their trademarks appear as part of keyword advertising. They are well advised to exhaust all options short of litigation, including by seeking redress through the procedures established by search engine companies such as Google and Yahoo!.

Endnotes

1. Both Yahoo! and Google have modified their trademark policies since the first keyword action was filed.
2. *See, e.g., J.G. Wentworth, S.S.C. Ltd. P'ship v. Settlement Funding LLC*, No. 06-0597, 2007 U.S. Dist. LEXIS 288 (E.D. Pa. Jan. 4, 2007) (holding that defendant competitor's participation in Google's AdWords program and use of plaintiff's trademarks in its metatags constitute trademark use; even though such use does not indicate origin or sponsorship, it is more than an "internal" use of the marks because it creates an opportunity for advertisers to reach consumers); *Buying for the Home v. Humble Abode LLC*, 459 F. Supp. 2d 310 (D.N.J. 2006) (finding competitor's purchase of plaintiff's trademark as a keyword was a commercial transaction that occurred in commerce); *800-JR Cigar, Inc. v. GoTo.com, Inc.*, 437 F. Supp. 2d 273 (D.N.J. 2006); *Edina Realty, Inc. v. The MLSOnline.com*, No. 04-4371, 2006 U.S. Dist. LEXIS 13775 (D. Minn. Mar. 20, 2006) (holding that while not a conventional use, defendant used mark commercially); *Gov't Employees Ins. Co. v. Google, Inc.*, 330 F. Supp. 2d 700 (E.D. Va. 2004) ("*GEICO I*") (holding that Google was making a "trademark use" of the plaintiff's trademarks by using them to sell advertising and allowing advertisers to incorporate plaintiff's trademarks into ads that appeared on search results page). In reaching this conclusion, courts generally have focused on the fact that search engines receive revenue from advertisers who purchase keywords that are trademarks; that such a transaction is trading on the value of the trademark, and that the ad on the results page leads computer users to a competitor's Web site.
3. *See, e.g., S&L Vitamins, Inc. v. Australian Gold, Inc.*, 521 F. Supp. 2d 188 (E.D.N.Y. 2007) (noting that defendant actually sells the trademarked products; granting summary judgment for defendant because defendant had not "used" the marks in the trademark

sense); *FragranceNet.com, Inc. v. FrangranceX.com, Inc.*, 493 F. Supp. 2d 545 (E.D.N.Y. 2007) (denying plaintiff's motion to amend complaint to add claims relating to sponsored links and meta-tags as futile because there was no "use" of plaintiff's trademark visible to the public as was required under the Lanham Act); *Site Pro-1, Inc. v. Better Metal, LLC*, 506 F. Supp. 2d 123 (E.D.N.Y. 2007) (finding no Lanham Act "use" properly alleged since defendant did not place plaintiff's trademark on any goods, displays, containers, or advertisements and did not use plaintiff's trademark in way that indicated source or origin); *Merck & Co., Inc. v. Mediplan Health Consulting, Inc.*, 425 F. Supp. 2d 402 (S.D.N.Y. 2006) (granting defendant's motion to dismiss on ground that search engine's internal use of the trademark is not use of the mark in the trademark sense because it does not indicate source or sponsorship).

4. *See, e.g., Tiffany (NJ) Inc., et al. v. eBay, Inc.*, 576 F. Supp. 2d 463 (S.D.N.Y. 2008) (holding that eBay's use of Tiffany marks as keywords might be a "use," but it is protected as a nominative fair use).
5. 414 F.3d 400 (2d Cir. 2005).
6. *Rescuecom Corp. v. Google, Inc.*, 456 F. Supp. 2d 393 (N.D.N.Y. 2006).
7. *Rescuecom Corp. v. Google, Inc.*, 562 F.3d 123 (2d Cir. 2009).
8. "Not only are 'use,' 'in commerce,' and 'likelihood of confusion' three distinct elements of a trademark infringement claim, but 'use' must be decided as a threshold matter because, while any number of activities may be 'in commerce' or create a likelihood of confusion, no such activity is actionable under the Lanham Act absent the 'use' of a trademark." *1-800*, 414 F.3d at 412 (citing *People for the Ethical Treatment of Animals v. Doughney*, 263 F.3d 359, 364 (4th Cir. 2001)).
9. *Rescuecom*, 456 F. Supp. 2d at 403.
10. *Rescuecom*, 562 F.3d at 128. *1-800* also suggested in *dictum* that had the defendant used the plaintiff's trademark as the trigger to the pop-up advertisement, that conduct might have been actionable.
11. *Id.* at 129.
12. *Id.*
13. *Id.* at 129-30.
14. *Id.* at 130.
15. *Id.*
16. The court also attached a lengthy appendix to its opinion detailing the pertinent history of the Lanham Act and the meaning of "use in commerce."
17. *See, e.g., Soilworks, LLC v. Midwest Indus. Supply, Inc.*, 575 F. Supp. 2d 1118 (D. Ariz. 2008) (granting summary judgment to plaintiff, holding that defendant diverts the initial attention of potential Internet customers to its Web sites by using plaintiff's trademark in keywords and meta-tags and that such use is a use in commerce); *Hysitron Inc. v. MTS Sys. Corp.*, No. 07-01533, 2008 U.S. Dist. LEXIS 58378 (D. Minn. Aug. 1, 2008) (adopting the "majority view" that using a trademark to generate advertising is a "use in commerce" under the Lanham Act; a "use in commerce" is not limited to affixing another's mark to one's own goods but also encompasses any use of another's mark to advertise or sell one's own goods and services); *Fin. Express LLC v. Nowcom Corp.*, 564 F. Supp. 2d 1160 (C.D. Cal. 2008) (holding that defendant's practice of embedding plaintiff's marks in defendant's meta-tags to ensure that defendant will appear higher on a list of search results for plaintiff's products constitutes "use in commerce" of plaintiff's marks because defendant used plaintiff's mark to increase the likelihood of engaging in commercial transactions with plaintiff's potential consumers); *North Am. Med. Corp. v. Axiom Worldwide, Inc.*, 522 F.3d 1211 (11th Cir. 2008) (holding that because defendant used plaintiff's trademarks as meta-tags as part of its effort to promote and advertise its products on the Internet, under the plain meaning of the language of the statute such use constitutes a use in commerce in connection with the advertising of any goods); *Boston Duck Tours, LP v. Super Duck Tours, LLC*, 527 F. Supp. 2d 205 (D. Mass. 2007) (finding that because sponsored linking necessarily entails the "use" of the plaintiff's mark as part of a mechanism of advertising, it is "use" for Lanham Act purposes"); *J.G. Wentworth, S.S.C. Ltd. P'ship*, 2007 U.S. Dist. LEXIS 288 (holding that defendant competitor's participation in Google's AdWords program and use of plaintiff's trademarks in its meta-tags constitute trademark use; even though such use does not indicate origin or sponsorship, it is more than an "internal" use of the marks because it creates an opportunity for advertisers to reach consumers); *Buying for the Home*, 459 F. Supp. 2d 310 (finding that competitor's purchase of the plaintiff's trademark as a keyword was a commercial transaction that occurred in commerce); *Edina Realty, Inc*, 2006 U.S. Dist. LEXIS 13775 (holding that while not a conventional use, defendant used mark commercially).
18. 15 U.S.C. § 1127.
19. *Standard & Poor's Corp. v. Commodity Exch., Inc.*, 683 F.2d 704, 708 (2d Cir. 1982); *Polaroid Corp. v. Polarad Elecs. Corp.*, 287 F.2d 492, 495 (2d Cir. 1961).
20. 564 F. Supp. 2d 1160.
21. 2007 U.S. Dist. LEXIS 288, at *23-*24.
22. *Id* at *4.
23. No. 1:04cv507, 2005 U.S. Dist. LEXIS 18642 (E.D. Va. Aug. 8, 2005) ("*GEICO II*").
24. Google announced the change to its U.S. trademark policy in its AdWords blog *at* http://adwords.blogspot.com/2009/05/update-to-us-ad-text-trademark-policy.html.
25. Google's U.S. Trademark Policy, *at* https://adwords.google.com/support/bin/answer.py?answer=145626 (visited July 13, 2009).
26. *Rosetta Stone Ltd. v. Google Inc.*, No. 1:09 cv 00736 (E.D. Va. filed July 10, 2009).

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E-mail Traps and Troubles

By Leonard D. DuBoff and Christy O. King

I. Introduction

E-mail communications are extraordinarily efficient for lawyers whether they are corresponding across town, across the country, or around the world, but, unfortunately, they open the door to many pitfalls. Although the American Bar Association (ABA) has stated that sending unencrypted e-mail is not a *per se* violation of an attorney's duty to protect client confidences,[1] e-mail users must be careful to avoid the ethical, legal, and practical problems that can arise from using electronic correspondence. This article describes some of the problems to which attorneys should be attentive.

II. Common Traps and Troubles

A. Inadvertent Disclosure

It is quite common for attorneys to "carbon" (or "cc") clients on e-mails to opposing counsel. If your email cc's the client, then when opposing counsel uses "reply to all," that response will be transmitted to your client as well and may very well violate NYRPC 4.2, which prohibits direct communication with a represented party in most situations. To avoid this kind of problem, attorneys should blind copy (or "bcc") their clients.

> *"Although the American Bar Association has stated that sending unencrypted e-mail is not a* per se *violation of an attorney's duty to protect client confidences, e-mail users must be careful to avoid the ethical, legal, and practical problems that can arise from using electronic correspondence."*

Clients also should also be reminded not to *reply to all* when responding to an attorney's communication because that reply may go not only to the lawyer for whom it is intended but also may wind up being transmitted to opposing counsel and, perhaps, to that attorney's client as well. Such a mistake can be devastating when the e-mail contains strategy, negotiating points, or the like. This type of error can also waive the attorney-client privilege. Should such an error occur, the lawyer should immediately alert the party who inadvertently received the communication and request that it be deleted unread. By taking this action, it is likely that the attorney-client privilege would not be waived.

NYRPC 4.4(b) provides that:

> A lawyer who receives a document relating to the representation of the lawyer's client and knows or reasonably should know that the document was inadvertently sent shall promptly notify the sender.

This rule does not prohibit the receiver from claiming the right to retain the document. A New York Ethics Opinion[2] provides that whether the privilege has been waived by the inadvertent disclosure is a matter of law.[3] Recently enacted Federal Rule of Evidence 502 provides:

> (b) Inadvertent Disclosure. When made in a Federal proceeding or to a Federal office or agency . . . does not operate as a waiver in a Federal or State proceeding if: (1) the disclosure is inadvertent; (2) the holder of the privilege or protection took reasonable steps to prevent disclosures; and (3) the holder promptly took reasonable steps to rectify the error, including (if applicable) following Federal Rule of Civil Procedure 26(b)(5)(B). (c) Disclosure Made in a State Proceeding. When the disclosure is made in a State proceeding and is not the subject of a State-court order concerning waiver, the disclosure does not operate as a waiver in a Federal proceeding if the disclosure: (1) would not be a waiver under this rule if it had been made in a Federal proceeding; or (2) is not a waiver under the law of the State where the disclosure occurred.

With respect to a New York state court matter, in order for a protective order to be granted, the proponent of the privilege must establish (1) that production of the documents in question was inadvertent; (2) an intention to retain the confidentiality of privileged materials; (3) reasonable precautions to prevent disclosure; (4) a prompt objection; and (5) an absence of prejudice to defendants.[4]

Lawyers also should also ensure that an e-mail sent to opposing counsel does not contain the stream of communications between the attorney and client that led to that communication. By providing the opposing counsel with the correspondence between you and your client, you may be once again compromising your client's privilege. It is, therefore, appropriate for attorneys to have the intended communication to opposing counsel sent as a fresh e-mail rather than as part of the e-mail stream that led to it.

Most lawyers have some form of standard disclaimer at the end of their e-mails. Frequently, this is automatically inserted by the attorney's e-mail program. When e-mails are exchanged within the lawyer's office so that a colleague or member of the firm's support staff can assist in refining the communication, the program may automatically add an additional disclaimer. When this communication is then ultimately sent out, it may have two or more disclaimers stacked up at its end. This will alert an astute recipient to the fact that this communication has been wordsmithed by several people. To avoid this problem, delete any disclaimers that have accumulated at the end of the e-mail.

Metadata is another area of concern. Such information, which is invisible but retrievable, is often found in word-processing documents and may include details such as editing time, comments, authors, and even the edits themselves. The ABA has issued an ethics opinion stating that the receiving attorney is not prohibited from looking at metadata[5] and the New York State Bar Association has issued an ethics opinion stating that an attorney must exercise reasonable care in preventing disclosure of metadata.[6] Before sending an email attachment, be sure to either convert the document to PDF or to use a metadata scrubbing program.

B. Mistakes in Content and Delivery

It is also important to carefully review e-mails before they are sent. In many e-mail programs, spellcheck does not catch misspellings in the subject lines of e-mails. Also, it corrects only spelling errors; that is, it does not determine whether the word is properly used (for instance, "you" is often typed for "your"). Thus, you may find that words in your e-mail are all correctly spelled, but they may not be used in the proper context or even make sense.

E-mail users are frequently careless with the subject line of their communication, which typically refers to the first communication. It is rare for recipients who respond to that communication to revise the subject line to reflect the response, which may be addressing other issues. As the stream of e-mails continue, the original subject line may become less and less relevant to the ultimate communication's content, so it is a good idea to revise the subject accordingly.

When a lawyer receives an acrimonious e-mail or one from someone with whom there is a strained relationship, it is quite common to prepare a vitriolic response, which ultimately may prove embarrassing. For this reason, prudent attorneys will delay sending a response until they have either had time to cool off or can obtain input from colleagues who are more removed from the situation. Remember, your communications to opposing counsel may very well wind up as exhibits to pleadings, and you should ask yourself whether the communication you are about to send is something you would like to have read by the judge in your case, some other influential third party, or even your client.

While it is important to pay attention to the content of your e-mail and make sure it effectively communicates what you want to communicate, you also should pay attention to whom the communication is directed. When, for example, an attorney represents a business entity, and the communication deals with subjects that should be restricted to certain individuals in that organization, care should be taken not to send the e-mail to a general e-mail box. Thus, in communicating with the CEO of a company regarding a possible business sale, you should not have that communication go to a secretary or general information box without first obtaining permission from the intended recipient. Nor should you send e-mails to an individual client at his / her work address without the express consent of the client, since many companies have policies providing that e-mail in their systems is not private and can be read by supervisors and others in the company.[7] Similarly, an attorney who sends an e-mail to a family's e-mail address when it is intended for just one of the family members could be waiving the attorney-client privilege in that communication, and if it involves a family dispute, there could be other serious consequences as well.

Autofill, the feature of some e-mail programs that automatically places a full e-mail address in the "To" or "cc" position once a few letters of that address / name are typed in, also can be problematic. If the attorney is not careful to confirm that the e-mail is actually directed to the right person, the communication could easily go astray. For instance, you may have read about the lawyer for Eli Lilly & Co. who was trying to e-mail co-counsel Bradford Berenson with confidential information on settlement talks with the government but, instead, sent the communication to *New York Times* reporter Alex Berenson.[8]

C. Firm Policies

Law firms should have e-mail policies in firm handbooks covering a host of issues. These should include, among other things, the fact that the firm's computer system belongs to it, and e-mails received on it belong to the firm. Policies should also prohibit the use of profanity and other offensive, embarrassing, or derogatory language, as well as all forms of harassment and discrimination. Other issues that should be covered include a prohibition on sending e-mails with viruses, worms, or the like, or with content that infringes intellectual property or other rights.

Finally, attorneys should remember that merely deleting an e-mail does not expunge it from the system; rather, it remains on the hard drive until a special electronic scrubbing program is used to cleanse the hard drive or until the e-mail is overwritten by other data. Thus, you should be judicious when deciding whether to communicate via e-mail or through another less permanent vehicle.

III. Conclusion

Use of e-mail has become virtually universal within the legal community. This communication boom has, to some extent, leveled the playing field between large and small firms, although there is a host of items that should be considered when using this form of communication. We have tried to list many of the most common ones based on our personal experience and that of other members of our firm, but virtually every day we are provided with additional learning opportunities. Lawyers should be diligent when using their e-mail systems, and it cannot be overemphasized how important it is to carefully read the final version of a communication before hitting *send*.

Endnotes

1. ABA Formal Op. 99-413 (1999).
2. NYSB Ethics Op. No. 709.
3. Federal Rules of Evidence 502.
4. *Delta Financial Corp. v. Morrison*, 12 Misc. 3d 807, 819 N.Y.S.2d 425 (Sup. Ct., Nassau Co. 2006).
5. ABA Formal Op. 06-442 (2006).
6. NYSB Ethics Op. 782.
7. *See Scott v. Beth Israel Medical Center, Inc.*, 17 Misc. 3d 934, 847 N.Y.S.2d 436 (Sup. Ct., N.Y. Co. 2007), holding that a doctor's e-mail communications with his lawyer were not protected by the attorney-client privilege, since the hospital's policies provided it with the right to access e-mails at any time.
8. *Did Lawyer's E-Mail Goof Land $1B Settlement on NYT's Front Page?*, *at* www.abajournal.com/news/lawyers_e_mail_goof_lands_on_nyts_fgront_page, Feb. 6, 2008; *Lilly's $1 Billion E-Mailstrom, at* www.portfolio.com/news-markets/top-5/2008/02/05/Eli-Lilly-E-Mail-to-New-York-Times?, Feb. 5, 2008.

Leonard D. DuBoff is the author of more than 20 books on business and intellectual property law and is the managing principal of The DuBoff Law Group, LLC in Portland, Oregon. Christy O. King is a member of the firm and co-author of numerous books with Mr. DuBoff.

ANNOUNCING THE

Intellectual Property Law Section's

ANNUAL LAW STUDENT WRITING COMPETITION

To be presented at the **Annual Meeting of the Intellectual Property Law Section, January 26, 2010, New York, NY** to the authors of the best publishable papers on subjects relating to the protection of intellectual property **not published elsewhere, scheduled for publication, or awarded another prize.**

First Prize: $2,000

Second Prize: $1,000

COMPETITION RULES ARE AS FOLLOWS:

To be eligible for consideration, the paper must be written solely by students in full-time attendance at a law school (day or evening program) located in New York State or by out-of-state students who are members of the Section. One hard copy of the paper and an electronic copy in Word format on a 3.5" H.D. or CD disk must be submitted by mail, postmarked no later than December 7, 2009 to the person named below. As an alternative to sending the disk or CD, the contestant may e-mail the electronic copies, provided that they are e-mailed before 5:00 p.m. EST, December 7, 2009.

Papers will be judged anonymously by the Section and must meet the following criteria or points will be deducted: no longer than 35 pages, double-spaced, including footnotes; and one file with a cover page indicating the submitter's name, law school and expected year of graduation, mailing address, e-mail address, telephone number, and employment information, if applicable.

Winning papers may be published in the Section's publication *Bright Ideas*. Reasonable expenses will be reimbursed to the author of the winning paper for attendance at the Annual Meeting to receive the Award.

The judges reserve the right to: not consider any papers submitted late or with incomplete information, not to publish papers, not award prizes, and/or to determine that no entries are prizeworthy or publishable.

Entries by hard copy and e-mail to: Naomi Pitts, NYSBA, One Elk Street, Albany, NY 12207 (e-mail: npitts@nysba.org). Comments and/or questions may be directed to the Co-Chair of the Young Lawyers Committee: Sarah B. Kickham, Ullman Shapiro & Ullman LLP, 299 Broadway, Suite 1700, New York, NY 10007, (212) 571-0068, sbkickham@yahoo.com or Lindsay Martin, McKool Smith, 399 Park Avenue, Suite 3200, New York, NY 10022, (212) 402-9414, lmartin@mckoolsmith.com.

Scenes from

“Women in Intellectual Property Law”

June 3, 2009

Thomson Reuters
New York, NY

"Women in Intellectual Property Law"

Section Chair

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NYSBA

Creating the Future of Intellectual Property Law

Intellectual Property Law Section

Fall Meeting

The Sagamore
Bolton Landing, New York
October 15 - 18, 2009

Attendance at this meeting offers up to 11.0 MCLE credit hours—including 10.0 in Professional Practice and 1.0 in Ethics.

NYSBA

Important Information

Under New York's MCLE rule, this program has been approved for a total of 11.0 credit hours; 1.0 hours in ethics and 10.0 hours in professional practice. **Except for the 1.0 credit in ethics, this program will not qualify for credit for newly admitted attorneys because it is not a transitional basic practical skills program.**

DISCOUNTS AND SCHOLARSHIPS: New York State Bar Association members and non-members may apply for a discount or scholarship to attend this program, based on financial hardship. This discount applies to the educational portion of the program only. Under this policy, any member of our Association or non-member who has a genuine basis for his/her hardship, if approved, can received a discount or scholarship, depending on the circumstances. To apply for a discount or scholarship, please send your request in writing at least 10 business days prior to the meeting to Catheryn Teeter at: New York State Bar Association, One Elk Street, Albany, New York 12207 or cteeter@nysba.org

For more information about this program or to register, visit www.nysba.org/ipl or contact Catheryn Teeter at 518-487-5573.

UPCOMING SECTION EVENTS:

Monday, December 7, 2009: IP Law Section Annual Law Student Writing Contest submissions deadline. Call 518-487-5587 or visit the IP Section page at www.nysba.org/ipl for contest rules.

Tuesday, January 26, 2010: IP Law Section Meeting during NYSBA Annual Meeting. The Hilton,1335 Avenue of the Americas, New York, NY. 9 am to 5:30 pm with Luncheon. Call 518-463-3200 for more information or visit www.nysba.org/ipl in November.

SCHEDULE OF EVENTS

Thursday, October 15

7:00 - 10:00 pm **Buffet Dinner for *Sagamore Hotel Guests*** - Mr. Brown's Pub, Downstairs in Main Hotel
All Registrants, Spouses, Guests & Children Staying at the Sagamore are Welcome!

Friday, October 16 *All Sessions will be held in the Sagamore Conference Center*

8:00 am - 12:00 pm **Golf** - Sagamore Golf Course
Join your fellow attorneys on the links for a round of golf at the resort's award-winning course. A pre-paid greens fee of $115.00 is required.

9:00 am - 1:00 pm **Registration** - Conference Center Foyer

12:00 - 1:00 pm **Lunch** - Sagamore Main Dining Room, Main Hotel

CREATING THE FUTURE OF IP
GENERAL SESSION - Wapanak Room, Conference Center
The best way to predict the future is to invent it - Alan Kay

1:05 - 1:15 pm **Welcome & Introductory Remarks**
Joyce L. Creidy, Esq.
Intellectual Property Law Section Chair

1:15 - 2:40 pm **WHAT IS GREEN ABOUT GREEN IP? AN INTRODUCTION**
No matter what you call it - Green IP, Greentech or Cleantech, the burgeoning area of sustainability and its intersection with IP is a hot topic. Experienced in-house counsel, policy experts and IP practitioners will introduce us to the diverse technologies encompassing Greentech, the global and domestic policy issues swirling around Greentech and how we, as practitioners, can issue, spot, advise our clients and deal on the front line of procuring, exploiting and enforcing Green IP.

Panelists: **Patrick K. Patnode, Esq.**, Managing Patent Counsel, General Electric Research, Niskayuna, New York

Norine Kennedy, United States Council for International Business, New York, NY

Rory J. Radding, Esq., Morrison & Foerster LLP, New York, NY

2:40 - 3:30 pm **THE NEW NEW YORK STATE ETHICS RULES AND YOU**
For the first time in decades, New York State adoped a new set of legal ethics rules. Our panel of ethics experts and practitioners will delve into some of the novel issues raised by these new NYS ethics rules. As attorneys, what are we to make of the new rules? And as IP attorneys, how well do the new rules stand up to the peculiarities of the IP practice? This lively panel discussion will explore the rules' interpretation and application to specific IP areas.

Panel Chair: **Brajesh Mohan, Esq.**, Pangea3 LLC, New York, NY

Friday, October 16, *Continued*

Panelists:	**William Thomashower, Esq.**, Schwartz & Thomashower LLP, New York, NY
	David A. Lewis, Esq., Proskauer Rose LLP, New York, NY
3:30 - 3:40 pm	**Coffee Break** - Conference Center Foyer ***Sponsored By:*** **FTI CONSULTING**
3:40 - 5:20 pm	**THE JURY IN IP CASES - ITS COMPOSITION AND ROLE**
3:40 - 4:30 pm	**JURY SELECTION PRESENTATION AND SIMULATION** Experienced trial counsel and industry consultants share their experiences and tips for selecting a jury. The presenters will then put their knowledge to the test with an unscripted simulated questioning of potential jurors in a hypothetical IP trial. An exciting, informative, and even somewhat improvisational, presentation is in store.
Panelists:	**Richard Z. Lehv, Esq**., Fross Zelnick Lehrman & Zissu, PC, New York, NY
	Lisa Bailey, Ph.D., Director, FTI Consulting, New York, NY
	Suann Ingle, Managing Director, FTI Consulting, New York, NY
4:30 - 5:20 pm	**JUDICIAL REVIEW OF OBVIOUSNESS** James W. Dabney, lead counsel for the Petitioner in KSR v. Teleflex, will address whether persons accused of patent infringement have a right to independent judicial, as distinct from lay jury, determination of whether an asserted patent claim satisfies the non-obvious subject matter condition for patentability. Federal Circuit precedent on this point stands in conflict with two en banc regional circuit decisions.
Speaker:	**James W. Dabney, Esq.,** Fried Frank Harris Shriver and Jacobson LLP, New York, NY
6:30 - 7:30 pm	**Cocktail Hour** - Conference Center Foyer/Lobby
7:30 pm	**Children's Dinner** - Abenia Room, Conference Center
7:30 - 9:00 pm	**Dinner** - Nirvana Room, Conference Center ***Wine Sponsored by:*** **FROSS ZELNICK LEHRMAN & ZISSU PC**
9:00 pm - 12 mid.	**Casino Night** - Nirvana Room, Conference Center Join us for an evening of fun and games...Try your luck at blackjack,craps and roulette.

SCHEDULE OF EVENTS

Saturday, October 17 *All Sessions will be held in the Sagamore Conference Center*

8:00 - 8:45 am **Registration** - Conference Center Foyer

MORNING SESSION - Wapanak Room, Conference Center

8:45 - 10:00 am **DOMAIN NAMES: WHAT'S NEXT?**
This panel discussion, featuring the perspectives and expertise of in-house counsel, registrars and outside counsel, will review the proposed introduction of new gTLD's, ICANN relations and policy, and discuss domainers, domain sales, squatters, domain investigations and other cutting edge issues.

Panelists: **Brett Lewis, Esq.,** Lewis & Hand, LLP, Brooklyn, NY

Barbara O'Neil Smith, Esq., Corporate Counsel, Iron Mountain, Boston, MA

Bridgette Fitzpatrick, Esq., The Hearst Corporation, New York, NY

10:00 - 10:10 am **Coffee Break** - Conference Center Foyer
Sponsored By: **FULBRIGHT & JAWORSKI L.L.P.**

10:10 - 11:00 am **DMCA – THEN AND NOW**
Experts in copyright and other IP law will share their insights and experiences with the Digital Millenium Copyright Act: how it has been applied and how it is being applied to social networking, blogs, vlogs, webcasting and other new mediums of communication and business.

Panelists: **Lance Herman Koonce, III, Esq**., Davis Wright Tremaine, LLP, New York, NY

Robert Penchina, Esq., Levine Sullivan Koch & Schulz, LLP, New York, NY

Rebecca Borden, Esq., CBS Corporation, New York, NY

11:00 - 11:50 am **CHALLENGING TIMES: INTELLECTUAL PROPERTY ASSETS AND BANKRUPTCY**
Experienced IP and bankruptcy counsel will provide practical tips and strategies to address bankruptcy concerns of creditors, debtors, license and franchise agreements and preservation of trademark rights during and after bankruptcy.

Panelists: **Timothy J. Kelly, Esq**., Fitzpatrick Cella Harper & Scinto, New York, NY

Peter J. Toren, Esq., Kosowitz, Benson, Torres And Friedman LLP**,** New York, NY

12:00 - 1:00 pm **Lunch** - Sagamore Main Dining Room, Main Hotel

Saturday, October 17, *Continued*

AFTERNOON SESSION - Wapanak Room, Conference Center

1:05 - 2:20 pm **FUTURE TRENDS IN DESIGN AND TRADE DRESS LAW**

Landmake cases like Traffix, Qualitex and Samara sought to define the scope of available design and trade dress protection. Last year, the Egyptian Goddess case heralded a potential paradigm shift in adjudicating design patent infringement. Were these decisions too ambitious? This panel will consider these seminal decisions and will see how current design and trade dress decisions apply them.

Panelists: **Marc A. Lieberstein, Esq**., Kilpatrick Stockton LLP, New York, NY

Susan E. Farley, Esq., Heslin Rothenberg Farley & Mesiti, PC, Albany, NY

Anne Gilson LaLonde, Esq., Author, ***Gilson on Trademarks***, South Burlington, VT

2:20 - 2:30 pm **Coffee Break** - Conference Center Foyer
Sponsored By: **HISCOCK & BARCLAY LLP**

2:30 - 3:45 pm **INSURANCE OF INTELLECTUAL PROPERTY ASSETS**

For many years some of the most valuable assets of our clients - their intellectual property rights - have gone largely uninsured. Similarly, clients were not protected from the costs of defending against infringement charges, including litigation costs and damages. Such perilous scenarios need not continue. A growing number of insurance companies now write policies that protect companies from a myriad of potential losses related to intellectual property, including patents. Patentees can be protected from the effects of findings of invalidity and unenforceability; licensees from defects in the title of their licensor; both potential plaintiffs and defendents from the high cost of litigation; and defendants from a damages award. Our panel will explore the emergence of this new protection and its ramifications for insurers, clients and litigants.

Panelists: **Kimberly Klein Cauthorn, Esq.,** Cauthorn Consulting, Houston, TX

George Love, Esq., General Counsel, Fleming Pharmaceuticals, St. Louis, MO

David A. Gauntlett, Esq., Gauntlett & Associates, Irvine, CA

4:15 pm **Cocktail Boat Cruise Around Lake George on "THE MORGAN"**
Sponsored by: **THOMSON COMPUMARK**
THOMSON REUTERS
Boarding begins at 4:15 pm at the dock behind the Main Hotel.
THE MORGAN departs *promptly* at 4:30 pm!

Saturday, October 17, *Continued*

6:30 - 9:00 pm **Children's Dinner** - Triuna Room, Conference Center
Drop off your children and attend the Cocktail Hour and Dinner

6:30 - 9:00 pm **Dinner** - Wapanak Room, Conference Center

9:00 - 11:00 pm **Join us for After Dinner Drinks in Mr. Brown's Pub -** Downstairs, Main Hotel
Sponsored by: **KILPATRICK STOCKTON LLP**

Sunday, October 18

Departure

When you're riding in a time machine way far into the future, don't stick your elbow out the window, or it'll turn into a fossil - Jack Handey

Trade Winds

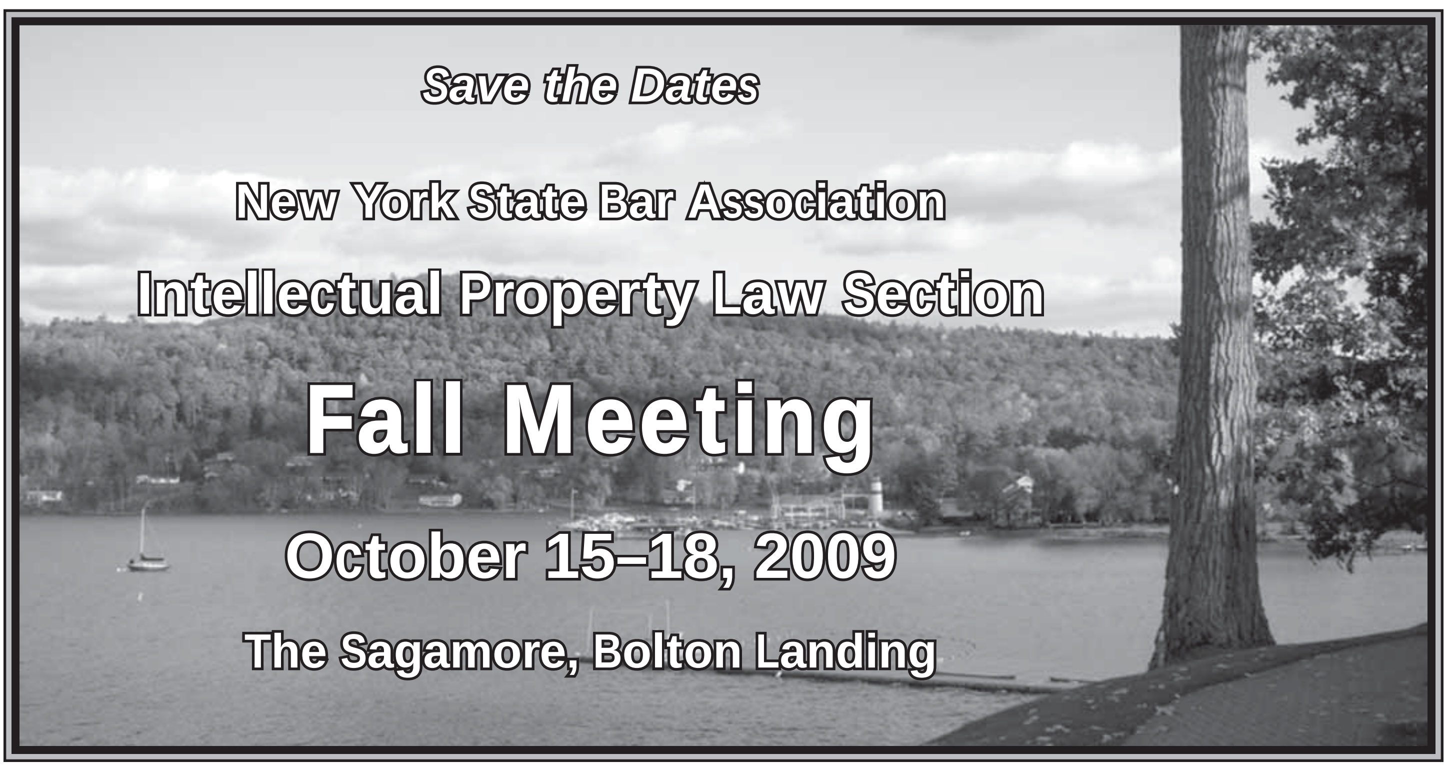
Trade Winds offers Section members a way to keep up on the comings and goings of their colleagues and upcoming events of interest. Has there been a change in your practice? Any recent or forthcoming articles or lecture presentations? Won any awards recently? Please e-mail submissions to Jonathan Bloom at jonathan.bloom@weil.com.

Welcome New Members:

Marcia B. Moulon
Vanessa Carballido
Kelly Nicole Stevens
Anna L. Linne
Kimberly Graison
Olumiseun Ogunye
Julie Stark
Dana C. Rundlof
Joshua Brett Albertson
Allison Beth Kelrick
Brian Joseph Perreault
Mario S. Mendolaro
Samantha Noda
Rodham Tulloss Delk
Ilana Darsky
Donald John Damico
Joseph John Conklin
Jason R. Wachter
Karla Louise Hughes
Joy Josephine Kaplan Wildes
Caroline Johnston Polisi
Andrew J. Kopelman

Alexis Lyn Robinson
Sean Nathan Kass
Sarah Marie Calvert
Robert Roy Legrove Kohse
Rebecca Pollack
Rebecca Cory Silberberg
Tracy Celeste Gardner
Eric Pollex Rasmussen
Kendra Yun Joo Goldhirsch
Rebecca Jamie Cantor
Safet Metjahic
Donna A. Tobin
Heather J. McDonald
Dara Michelle Kurlancheek
Frederick C. Millett
Jennifer Anne Lazo
Adam E. Kraidin
Matthew Anthony Fox
Bryan L. Bloom
Michael R. Hafitz
Siu K. Lo
Diego Scambia

William Robert Thornewell, II
Wanda Elizabeth Beverly
Kimberly Beth Garelick
Jose L. Orengo
Natalie Susanne Feher
Jasmine Ho Madiou
Irena Zolotova, Esq
Zhuang Yuan
Michael M. Emminger
Garth Coviello
Karen Ann Riedesel
Aleksandar Nikolic
Randall L. Reed
Heather Dawn Schafroth
Alaap Bipin Shah
Pamela Bertha Zuniga
Steven A. Wood, Jr.
Gregory Gordon Bennett
Drew Greene
Stephanie Christine Grenier
Tsai-yu Chen



MEMBERSHIP APPLICATION

New York State Bar Association

INTELLECTUAL PROPERTY LAW SECTION

Membership in the New York State Bar Association's Intellectual Property Law Section is a valuable way to:

- enhance professional skills;
- keep up-to-date with important developments in the legal profession;
- join colleagues in exciting Section events.

OPPORTUNITIES FOR EDUCATION

The Intellectual Property Law Section offers both the experienced and novice practitioner excellent opportunities to enhance their practical and legal knowledge and expertise. Through Section activities, including conferences on intellectual property (an annual fall event), members may examine vital legal developments in intellectual property law. The Section's Web site provides current information regarding Section events and offers "members only" access to current issues of *Bright Ideas* and current Committee bulletins providing updates on intellectual property law. The Section sponsors continuing legal education (CLE) credit-bearing programs for Section members at reduced rates. Recent programs offered by the Section related to computer software and biotechnology protection, conducting intellectual property audits, and practical considerations in trade secret law. Now, with Mandatory Continuing Legal Education (MCLE) requirements, Intellectual Property Law Section membership is more valuable than ever before! The Section also sponsors joint programs with Law Schools including an annual writing contest for law students wherein the winning articles appear in an issue of *Bright Ideas*.

OPPORTUNITIES FOR PROFESSIONAL DEVELOPMENT

Intellectual Property Law Section committees address unique issues facing attorneys, the profession and the public. The Section offers opportunities to serve on committees such as Copyright Law; Diversity Initiative; Ethics; Greentech; International IP Law; Internet & Technology Law; Legislative / Amicus; Litigation; Meetings and Membership; Patent Law; Pro Bono and Public Interest; Trademark Law; Trade Secrets; Transactional Law; and Young Lawyers.

Committees allow you to network with other attorneys from across the state and give you the opportunity to research issues and influence the laws that can affect your practice. Committees are also an outstanding way to achieve professional development and recognition. Law students are automatically members of the Young Lawyers Committee. Section members may join more than one committee.

A VOICE IN THE ASSOCIATION

The Intellectual Property Law Section takes positions on major professional issues that affect practitioners and advocates those positions within the New York State Bar Association, the legislature, and the public.

See page 32 to become a member of the Intellectual Property Law Section

COMMITTEE ASSIGNMENT REQUEST

Please designate, from the list below, those committees in which you wish to participate. For a list of Committee Chairs and their e-mail addresses, please refer to page 33 of this issue.

___ Copyright Law (IPS1100)
___ Diversity Initiative (IPS2400)
___ Ethics (IPS2600)
___ Greentech (IPS2800)
___ International Intellectual Property Law (IPS2200)
___ Internet and Technology Law (IPS1800)
___ Legislative / Amicus (IPS2300)
___ Litigation (IPS2500)
___ Meetings and Membership (IPS1040)
___ Patent Law (IPS1300)
___ Pro Bono and Public Interest (IPS2700)
___ Trademark Law (IPS1600)
___ Trade Secrets (IPS1500)
___ Transactional Law (IPS1400)
___ Young Lawyers (IPS1700)

Please e-mail your committee selection(s) to Naomi Pitts at: npitts@nysba.org

* * *

To be eligible for membership in the Intellectual Property Law Section, you first **must** be a member of the NYSBA.

❒ As a member of the NYSBA, I enclose my payment of $30 for Intellectual Property Law Section dues. (Law student rate: $15)

❒ I wish to become a member of the NYSBA and the Intellectual Property Law Section. I enclose both an Association and Section application with my payment.

❒ Please send me a NYSBA application. No payment is enclosed.

Name ______________________________

Office ______________________________

Office Address ______________________________

Home Address ______________________________

E-mail Address ______________________________

Office Phone No. ______________________________

Office Fax No. ______________________________

Home Phone No. ______________________________

Please return payment and application to:

Membership Department
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One Elk Street
Albany, New York 12207
Telephone: 518/487-5577
FAX: 518/487-5579
http://www.nysba.org/membership

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The Intellectual Property Law Section encourages members to participate in its programs and to contact the Section Officers or Committee Chairs for information.

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Submission of Articles

Anyone wishing to submit an article, announcement, practice tip, etc., for publication in an upcoming issue of *Bright Ideas* is encouraged to do so. Articles should be works of original authorship on any topic relating to intellectual property. Submissions may be of any length.

Submissions should preferably be sent by e-mail to Jonathan Bloom, Editor-in-Chief, at the address indicated on this page. Submissions for the Winter 2009 issue must be received by October 1, 2009.

BRIGHT IDEAS

Bright Ideas is a publication of the Intellectual Property Law Section of the New York State Bar Association. Members of the Section receive a subscription to the publication without charge. Each article in this publication represents the author's viewpoint and not that of the Editors, Section Officers or Section. The accuracy of the sources used and the cases, statutes, rules, legislation and other references cited is the responsibility of the respective authors.

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