



TRADEMARK, COPYRIGHT & ADVERTISING

Locke Lord's Looking Ahead 2011

Expect Fierce Battles Over Keyword Confusion

Google's AdWords program earns billions of dollars from the sale of trademark "keywords." Competitors use trademark keywords to bring consumers to their ads displayed on Google's Search Results page. Competitors pay Google a fee each time a user clicks on their ad.

Looking ahead to 2011, expect to see: **1)** ramped up battles over confusion arising from the use of trademark keywords; and **2)** Google's replacement of the term "Sponsored Link" with the word "Ads," on Google's Search Results page.

Trademark Trends

Trademark forecasts for 2011 show strong winds blowing in the direction of:

- Expanded application of the Fair Use doctrine permitting defendants greater freedom to use plaintiff's mark to **1)** describe defendant's goods; and **2)** refer to plaintiff.
- Expanded use of the First Amendment right of free speech to exempt non-commercial parody, criticism and comment from liability.
- Expanded use of social networking sites for:
 - 1)** promoting trademark owners' products; and
 - 2)** poking fun at trademark owners and their products.
- Court scrutiny of the vitality of attacks against "Trademark Bullies" who allegedly attempt to enforce their rights beyond a reasonable scope to intimidate and harass smaller rivals.

Trademark winds are also expected to swirl around:

- The proper standards for granting preliminary injunctive relief in trademark suits. Should the Supreme Court *eBay v. Merc Exchange* ruling that there is no presumption of irreparable harm in patent suits apply to trademark preliminary injunctions?
- Does plaintiff need to show the parties' marks are substantially similar to establish blurring in a dilution claim? Will other circuits follow the Second Circuit holding in *Starbucks v. Charbucks*, namely: where marks are only minimally similar, blurring can be found based on application of all the blurring factors?
- Does plaintiff in a dilution action based on tarnishment need to show that defendant's mark altered the consumers view of plaintiff's mark, as the Starbucks decision suggests? Are surveys necessary?

The Fourth Circuit will be a primary battlefield on the keyword front in 2011. See Rosetta Stone's appeal of the district court decision in *Rosetta Stone Ltd. v. Google Inc.*, 2010 WL 3063152 (E.D. Va. Aug. 3, 2010). The district court saw nothing wrong with Google's making money from its sale of trademark keywords and denied all of Rosetta Stone's claims on summary judgment. In finding no likely confusion, the court:

- Dismissed Rosetta Stone's evidence of actual confusion as "*de minimus*."
- Disregarded as "unreliable" Rosetta Stone's survey showing consumers thought Rosetta Stone endorsed the competitor's ad. In the court's view, endorsement "is not the same as confusion" as to product source. Rosetta Stone has trained its sights on Google's own documents showing its long time awareness that Sponsored Link ads create a high degree of consumer confusion.

Both sides have called in reinforcements. Over 30 parties have filed amicus briefs including The National Football League, Monster Cable, the International Trademark Association on behalf of Rosetta Stone and eBay and Yahoo! on behalf of Google.

Whatever the outcome in the Fourth Circuit, expect new battle fronts in other circuits and increased judicial interest in surveys. Preliminary results from surveys by professors at the McCarthy Institute for Intellectual Property (not yet before any court) suggest significant confusion over Google's keyword advertising.

Copyright law remains (for now) a tool against importation of "grey market" goods

In *Costco v. Omega*, a 4-4 split decision in the U.S. Supreme Court let stand a decision of the Ninth Circuit federal appeals court that copyright law can block the importation of unauthorized grey market goods that were both *made and initially distributed outside the U.S.*

The 4-4 split means the Ninth Circuit decision continues to bind federal courts in Washington, Oregon, and California. Courts, however, outside the Ninth Circuit—including federal courts on the Canadian border, Mexican border and the Atlantic and Gulf coasts—remain free to decide the question for themselves.

Trademark Trends (cont'd.)

- Does defendant in a case involving the sale of sex – related products have the burden of proving no likelihood of tarnishment? The Sixth Circuit in *Victoria's Secret* says “yes.” Question whether the Supreme Circuit will accept Cert. and if other circuits will follow the Sixth Circuit approach?
- Will other circuits agree with the Second Circuit that on-line auction houses are not liable for contributory infringement based on their generalized knowledge of the sale of substantial counterfeit goods on their site? No liability was found in *Tiffany v. eBay* and Tiffany's Petition for Cert. to the Supreme Court was denied. In any event, on-line auction houses without eBay's track record of anti-fraud devices remain at risk.

The Supreme Court took the case to consider both the correctness and the business implications of applying the “first sale doctrine” (codified in § 109(a) of the Copyright Act) to grey market goods. When applicable, the first sale doctrine allows a lawful purchaser of a copyrighted item to re-sell that item.

Until the Supreme Court decides otherwise in a future case, copyright law may be a more effective tool than trademark law to combat grey market imports. Courts have not consistently enforced trademark law—which focuses on brands and distinctive packaging design—against grey market goods. Also, unlike trademark law, copyright law offers both automatic attorney's fees for the prevailing party and statutory damages even if the copyright holder cannot prove actual damages—assuming timely registration of the copyright in question. So brand owners should welcome the temporary reprieve the Supreme Court's split has given to the use of copyright law against such imports.

FTC Expected to Issue Final Guides For Environmental Marketing Claims

In 2011, the Federal Trade Commission (“FTC”) is expected to issue final Guides for the Use of Environmental Marketing Claims (Green Guides). The new Green Guides will have a major impact on environmental and natural benefit claims that companies use to advertise or describe their products or services to consumers.

The proposed new Green Guides were issued for public comment on October 26, 2010, and the public comment period on the proposed changes ended on December 10, 2010. The FTC is now considering possible modifications of the proposed changes, although no final timetable for adoption has been set.

The final Green Guides are expected to include new guidance on several issues that were not significant issues when the previous guides were issued in 1998, including:

- Product certifications • Seals of approval • Renewable energy claims • Renewable materials claims • Carbon offset claims

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For carbon offset claims, the proposed guides require full disclosure in advertising, marketing and packaging. For more details on the disclosure required for carbon offset claims in the proposed Green Guides, see our October 13, 2010 article, “*FTC Unveils New Guides for Environmental Marketing*” at www.lockelord.com.

As with all advertising and packaging review, advertisers should carefully consider all potential express and implied claims that a consumer may reasonably take away from the advertising or packaging – and ensure each claim is properly substantiated. Further, in the proposed Green Guides, the FTC commented that general environmental benefit claims such as “green” and “eco-friendly” are “difficult, if not impossible, to substantiate.” For this reason, advertisers are advised to avoid use of general environmental benefit claims such as “green” and “eco-friendly” to avoid the risk of a challenge from a competitor or consumer class action.

Continued Growth in Mobile Device Marketing

Technological advancements have created an increasingly wireless world, especially among the core consumer advertising market. Today, hundreds of millions of users access the mobile web, and trends suggest consumers will soon access the Internet more often from mobile devices than from personal computers. Thus, to reach those mobile consumers, marketers and advertisers will spend substantially more for mobile marketing-focused campaigns in 2011. The increased funding on advertising and marketing tied directly to mobile marketing will inevitably sprout an assortment of new legal issues and consumer protection challenges that advertisers and marketers must meet in 2011.

Moreover, advertisers are increasingly seeking to send location-based or other behavioral advertising to consumers through the use of Radio Frequency Identification Devices (“RFIDs”) or other tracking mechanisms connected to mobile devices. When combined with a consumer’s other personally identifiable information, and thus some insight into that consumer’s likes and dislikes, such location-based and behavioral advertising becomes a powerful tool. Legal challenges will come from consumer advocacy groups and increasingly stringent laws, federal and state governments and agencies concerned about mobile

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marketers' use, storage and protection of personally identifiable or otherwise sensitive consumer information.

Advertising & Marketing Through Social Media

Millions of consumers participate in social media like Facebook, Twitter, FourSquare, LinkedIn and now Groupon, the latest entrant in the social media market. As consumers continue to spend more time on social media sites, companies will find new and innovative ways to market and sell products and services, conduct public relations and provide customer service through social media. As social media becomes more prevalent and new forms of advertising emerge, companies must continually review their on-line policies and procedures, as well as monitor third-party social media activities related to their brands.

Companies also must consider how their actions, beyond advertising and marketing, relate to social media. This is in part because the increase in social media use for promoting a company's products or services has lit a fire under consumer advocacy groups to ensure companies do not trample on consumers' privacy, or engage in unfair/deceptive advertising and marketing, or in other nefarious trade practices.

Balancing the promotion and protection of a company's products and services in social media, while complying with regulations, laws and industry standards protecting consumers, can seem daunting, but it is much easier with trusted advisors and counselors. Thus, to avoid liability in this area, companies should have all social media advertising and marketing campaigns reviewed to ensure compliance with new laws and regulations.

Locke Lord's Trademark, Copyright & Advertising Practice Group has an experienced team of attorneys whose specific focus is to help develop and protect the messaging images, brands and advertising utilized by companies.

To learn more about our **Trademark, Copyright & Advertising** services, please visit: www.lockelord.com/trademark