Oregon Intellectual Property Newsletter

Oregon State Bar Intellectual Property Section

Intellectual Property Student Organization
Lewis and Clark Law School

Volume 9 • Number 1 Published by the Intellectual Property Law Section of the Oregon State Bar Spring 2008

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Key Word Advertising Using Tradmarked Terms: Fair or Foul?

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Over the past few years, one of the more interesting and difficult issues of trademark law concerns the use of trademarked terms as key word triggers in internet advertising. Does the use of such trademarked terms constitute a use in commerce subject to the strictures of the Lanham Act? Or is it fair game for internet advertisers and search engines alike, who profit from the use of others' trademarks? So far, the answers to these questions have turned more on where the litigation concerning these issues has been filed than it has on any other factor. The differences between some courts on these issues are so stark that there is simply no way of resolving them without further appellate court clarification or a Supreme Court decision resolving the differences.

Background

By way of introduction, key word advertising is the practice of purchasing certain words or phrases as triggers for advertising content. Thus, companies such as Google, Yahoo and MSN, which operate search engines, offer for sale words or phrases that when entered by users return sponsored ads that accompany and supplement the natural search results generated by the search engines.

Natural searches

Each of the major search engines provides a natural search result in which the results are presented in order of apparent relevance. What that means is that the results of the top of the natural search result should have more instances of the search terms on the listed web pages than results lower in the list. Each of the search engines uses a proprietary algorithm that, among other factors, weighs the appearance of the searched-for terms in different fields in the HTML source code for a particular web page. A search word that appears in a title field is given greater weight than a term that appears in the content of a particular web page.

Web page authors can also use meta tags in coding their web pages. Meta tags are not visible to a viewer of the web page but are part of the

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HTML source code for a web page. That source code is used by the search engines are part of their indexing functions. To the extent a web page author uses a term in a meta tag, that page may appear higher in a natural search result order than an identical page without the same meta tag. Search engines also employ algorithms that measure the number of active links to a particular web page and use that information in determining the relevance in a natural search result.

Sponsored search results

In addition to providing natural search results, the search engine companies have developed a business model based on the sale of advertising based on the words searched by users. To do this, the search engines sell words or phrases as key word triggers. When a user types in a key word trigger for which a particular advertiser has bid, the search engine includes the advertiser's sponsored ad above or to the right of the natural results. In each case, when a user clicks on the sponsored ad, the search engine charges the advertiser's account. Thus, the more clicks on a sponsored ad by users, the more money the search engine makes from selling the ad. Where there are multiple advertisers using the same key word triggers, the advertisers may bid up the price per click for the prominence of the display of a particular ad in response to the key word. An advertiser who bids $0.50 per click would likely receive a more prominent placement for its ad than one who would bid $0.25 per click. In addition to price, however, the search engines also elevate ads based on their popularity. Thus, an ad that receives lots of clicks may move up the list to a position above ads that have higher per click prices, but receive fewer clicks. In that way, the search engines maximize their revenue. In each case, where either the per click bid is significantly higher than the other advertisers or has become one of the more popular ads among web users, the sponsored ads may move from a position to the right of the natural search results to just above the natural search results.

It is now common practice for the search engines to sell trademarked terms as key word triggers. Thus, an advertiser can buy a company name as a key word trigger. This is true whether the company is buying its own name or the name of a competitor.

For example, I recently typed ADT into the Google search engine. ADT® is a registered trademark associate with security systems, among other products. In response to my search, Google returned a results list containing 7,620,000 hits. On the first page, above the natural search results, there were three sponsored links. The first was for ADT itself with a link to its official website. The second and third were two apparently authorized dealers who sell and install ADT security systems. Below that were the natural search results. ADT's official sites were the first two natural results from the search. On the right side of the page was a list of sponsored links. Of the eight sponsored links on that list, two linked directly to Brinks, a competitor of ADT. Three others linked directly to two websites operated by dealers who sell and install General Electric alarm systems. Thus, it is apparent that both Brinks and the dealers who sell and install General Electric alarm systems, had purchased "ADT" as a key word trigger for their ads, even though their ads did not include any reference to ADT.

Questions

Does key word advertising using trademarked terms violate the rights of the owner of the mark? If so, under what theory or theories? And who is liable?

To state a claim for trademark infringement, a plaintiff must establish four elements: (1) that plaintiff owns a federally registered trademark (or service mark); (2) that defendant has "used" plaintiff's mark; (3) that the use was "in commerce"; and (4) that the use was likely to cause confusion, deception, or mistake.[1] For purposes of this discussion, we are assuming the first element. Similarly, the third element has not been all that controversial, because the "use" at issue has been in connection with advertising. Thus, if the purchase (or sale) of a key word trigger is a "use," it is almost certainly a use "in commerce." The second and fourth elements – "use" and "likelihood of confusion" – present more difficult questions.

With respect to the second element, the courts have taken divergent approaches. Courts in the Second Circuit have found that the mere purchase of a trademark as a key word trigger does not constitute a "use" of the trademark.[2] The theory in the Second Circuit is that such key word triggers are not "used" because they are not displayed on any goods, are not used in conjunction with the sale of any goods, and are not used in ads for any goods. Rather, the words are used internally by the search engine to trigger the ad. Thus, the mere purchase of the key word trigger in the courts in the Second Circuit has been held not sufficient to establish a "use" of a trademark.[3] Because there is no "use," there is no use "in commerce," and there is no further need to discuss whether such a use is likely to cause confusion, deception or mistake.

Outside of the Second Circuit, however, courts have rejected this analysis. The Ninth, Tenth, and Eleventh

Circuits, along with district courts in New Jersey, Pennsylvania, Arizona, California, Illinois, and Virginia, among others, have found that the purchase of a trademarked term as a key word trigger may in fact constitute a "use" of the trademarked term.[4] Moreover, because the use is in connection with an ad for the sale of goods or services, the use is "in commerce." Having found a "use in commerce," these courts have had to decide whether or not such use is likely to cause confusion, deception or mistake.

Courts in the Ninth Circuit have focused on whether there may be "initial interest confusion" resulting from such ads.[5] Specifically, has the ad caused the consumer initial confusion such that the consumer visited the competitor or third party resellers' website before realizing it was not the official website for which the consumer had searched. If so, then there may be initial-interest confusion. In the Ninth Circuit, that would appear to be enough to state a claim for trademark infringement, even if the consumer ultimately realizes that she is not at the site she intended to visit. Other courts have taken a more limited view suggesting that if the website to which the customer is directed clearly distinguishes itself from the site of the trademark owner, there can be no confusion.[6] For these courts it does not appear to be enough that the competitor or reseller has traded on the goodwill of the trademark owner to obtain the consumer's visit. As part of this analysis, it may be relevant to the court whether or not the sponsored ad itself includes the owner's trademark.[7] If it does include the trademarked term, it may be more likely that for there to be a finding of initial-interest confusion. On the other hand, if the ad merely includes the trademarked term to identify genuine goods or services of the trademark owner which are sold or offered by the advertiser, there is some question about whether that conduct can amount to trademark infringement. As a general rule, the protections for trademark owners in the Lanham Act do not reach the prevention of unauthorized sellers of genuine goods.[8]

In addition to traditional trademark infringement, the use of trademarked terms as key word triggers also creates the possibility of liability under theories of unfair competition and/or trademark dilution. With respect to unfair competition, the principle issue is whether or not the use of the trademark as a key word trigger creates a false implication of sponsorship or association with the trademark owner. The law is less developed in this area than it is with respect to the trademark infringement analysis. Nevertheless, it would appear that associating one's own offerings with the trademark of another would qualify and create the basis for a claim for unfair competition under Section 43(a) of the Lanham Act.[9] Unlike Section 32 of the Lanham Act, there is no requirement under Section 43(a) that the plaintiff be the owner of a registered trademark.

An additional remedy is also offered for trademark dilution. Specifically, if the plaintiff owns a famous mark, whether or not the mark is registered, the owner of the mark may have a claim for trademark dilution by blurring or tarnishment.[10] There are limitations with a dilution claim, however. First, the remedy for trademark dilution is limited to famous and distinctive marks. Second, the remedy is limited to injunctive relief, in the absence of bad faith. Nevertheless, for the owner of a famous and

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Spring 2008

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distinctive mark, a claim for trademark dilution may provide yet another weapon in an arsenal against unauthorized uses of the mark in internet advertising.

As for the third question we noted above – who is liable? – it would seem that the purchaser of a key word trigger for use in its advertising would clearly have liability if anyone would. More difficult is whether the seller of the key word trigger would also have liability. In this case, the search engines sell trademarked terms of others as key word triggers in order to generate advertising revenue. Ultimately, the question is whether such advertising sales could constitute trademark infringement. Initially, it seems unlikely that a search engine such as Google could be liable for direct trademark infringement through the sale of a key word trigger. That is because Google is not actually selling a product or service, even if it is selling the use of the trademarked word in conjunction with an ad. Under the language of the Lanham Act, that may be too far removed from an ad in connection with the sale of goods by the advertiser to qualify as a direct infringement. Nevertheless, this issue is not settled and the search engines may face potential exposure for direct infringement.

More significantly, the search engines may face even greater exposure on a theory of contributory infringement. Since they sell the trademarked terms for profit, and in doing so induce advertisers to use those trademarked terms in their advertising in connection with the sale of goods and services, and since the search engines do control the advertisers' use of the trademarked terms as key word triggers, there appears to be sufficient control and inducement to satisfy the prongs for contributory infringement claim. If the advertisers can be said to infringe by their purchases of trademarked terms as key word triggers, then it would appear that the search engines could also be liable as contributory infringers for selling those same trademarked terms as key words.[11]

Will the differences between courts be resolved anytime soon?

Ultimately, the question of whether the use of trademarked terms as key word triggers constitutes a "use" in commerce may have to be settled by the Supreme Court. Is purchasing a competitors trademark as a key word akin to buying shelf space at a brick and mortar store next to your competitor? Or, rather is it an attempt to trade on the goodwill of your competitor and divert business from it?

How one answers these questions goes a long way to discerning one's views on the subject of "use." Similarly, whether "initial interest confusion" is sufficiently shown in cases involving the use of trademarked terms as key word triggers depends in large measure on one's view of the equities.

On April 3, the Second Circuit heard arguments in *Rescuecom v. Google*, a case in which many of these issues are dealt with directly. In *Rescuecom*, the district court in New York found there was no "use" and dismissed the plaintiff's infringement claims.[12] The Second Circuit is being asked to determine whether the purchase of a trademarked term as a key word trigger truly is an internal use or whether in fact it amounts to a use in commerce of a trademarked term. In 2005, in *1-800-Contacts v. WhenU.com*,[13] the Second Circuit held that the use of a competitor's trademark in an unpublished directory used to trigger pop up ads did not amount to a "use" and thus could not form the basis of an infringement claim. There would not seem to be a meaningful difference between the unpublished directory in *1-800-Contacts* and undisplayed key word triggers. Thus, unless the Second Circuit overrules its earlier decision, it appears there will be direct circuit split between the Second and Ninth Circuits on the issue of "use." The question then will be whether Rescuecom will take the case to the Supreme Court and whether the Supreme Court will hear it. As *Rescuecom* was just argued on April 3, it does not seem likely that the case will reach the Supreme Court on its merits, if it does, and be decided before October 2009 term. Until the split is resolved, there may be quite a bit of uncertainty about the state of the law in this area. It also appears that the rules for liability will depend as much upon where the suit is filed as upon the specific nature of the conduct at issue.

Conclusion

Whether there is liability under theories of trademark infringement or dilution or unfair competition resulting from the use of trademarked terms as key word triggers is not yet settled. And whether or not the Ninth Circuit's view of the "use" element for trademark infringement, unfair competition, and dilution will prevail ultimately remains to be seen. Likewise, even if it does, the owners of trademarks will still have to establish a likelihood of confusion, deception, or mistake resulting from the use of their trademarks. Those battles promise to be difficult as well. Likewise, the battle over who is responsible for such internet advertising is far from certain. Search engines like Google, Yahoo and MSN derive substantial revenues from advertising. We do not know how much of that revenue is derived from the use of trademarked terms, but given their respective policies in this area, one can only assume that the amount of revenue derived from trademarked terms is not insignificant. With so much at stake, it seems likely that these cases will be litigated strenuously for some time to come.

Endnotes

1 15 U.S.C. § 1114(1)(a). Some courts refer to there being a fifth element, that the use is without the plaintiff's consent. *1-800 Contacts, Inc. v. WhenU.Com, Inc.,* 414 F.3d 400, 407 (2d Cir. 2005).

2 *1-800 Contacts,* 414 F.3d at 409; *S&L Vitamins, Inc. v. Australian Gold, Inc.,* 521 F. Supp. 2d 188 (E.D.N.Y. 2007) (granting summary judgment against infringement claim based on purchases of keywords and sponsored links); *Site Pro-1, Inc. v. Better Metal, LLC,* 506 F. Supp. 2d 123 (E.D.N.Y. 2007) (dismissing claim based on sponsored linking); *FragranceNet.com, Inc. v. FragranceX.com, Inc.,* 493 F. Supp. 2d 545 (E.D.N.Y. 2007) (denying as futile plaintiff's motion for leave to amend complaint to include a count alleging trademark infringement by sponsored linking); *Rescuecom Corp. v. Google, Inc.,* 456 F. Supp. 2d 393 (N.D.N.Y. 2006) (dismissing claim based on sponsored linking); *Merck & Co., Inc. v. Mediplan Health Consulting, Inc.,* 425 F. Supp. 2d 402, motion for reconsideration denied, 431 F. Supp. 2d 425 (S.D.N.Y. 2006) (dismissing claim based on sponsored linking).

3 One district court in New York, in denying a motion to dismiss, found that the use of a trademarked term as a keyword trigger may constitute infringement where the trademarked term was also used in the ad itself. *Hamzik v. Zale Corporation/Delaware,* 2007 WL 1174863 (N.D.N.Y. 2007).

4 *Playboy Entertainment, Inc. v. Netscape Communications Corp.,* 354 F.3d 1020 (9th Cir. 2004) (use in commerce assumed from sale of trademarked terms to steer customers to competitors of trademark owner); *Horphag Research Ltd. v. Pellegrini,* 337 F.3d 1036, 1040 (9th Cir. 2003) (internal use of trademarks in meta-tags is a trademark "use in commerce"); *Australian Gold Inc. v. Hatfield,* 436 F.3d 1228 (10th Cir. 2006) (reversing trial court's allowance of summary judgment in favor of defendant who allegedly used plaintiff's mark to trigger pop-up advertisements); *North American Medical Corp. v. Axiom Worldwide, Inc.,* 522 F.3d 1211 (11th Cir. 2008); *Vulcan Golf, LLC v. Google Inc.,* 2008 WL 818346 (N.D. Ill. 2008) (denying motion to dismiss); *J.G. Wentworth, S.S.C. Ltd. Partnership v. Settlement Funding, LLC,* 2007 WL 30115 (E.D. Pa. 2007) (finding use in commerce but no likelihood of confusion); *Google Inc. v. American Blind & Wallpaper,* 2007 WL 1159950 (N.D. Cal. 2007) (denying summary judgment to Google, finding Playboy implicitly concluded that keyword linking using trademarks constitutes a use in commerce of the mark); *Buying for the Home, LLC v. Humble Abode, LLC,* 459 F. Supp. 2d 310 (D.N.J. 2006) (denying defendant's motion for summary judgment on plaintiff's trademark infringement claim based on sponsored linking); *800-JR Cigar, Inc. v. GoTo.com, Inc.,* 437 F. Supp. 2d 273, 281 (D.N.J. 2006); *GEICO v. Google, Inc.,* 330 F. Supp. 2d 700, 703-04 (E.D. Va. 2004) (denying motion for dismiss), *claim dism'd,* Order, Dec. 15, 2004 (dismissing Lanham Act claim following bench trial on finding no likelihood of confusion); see also *Rhino Sports, Inc. v. Sport Court, Inc.,* 2007 WL 1302745, at *8 (D. Ariz. 2007) (concluding that use of marks as keyword triggers is a trademark "use").

5 *Playboy Entertainment,* 354 F.3d at 1025-26; *Brookfield Communications, Inc. v. West Coast Entertainment Corp.,* 174 F.3d 1036 (9th Cir. 1999); *Google Inc. v. American Blind & Wallpaper,* 2007 WL 1159950 (N.D.Cal. 2007) (denying summary judgment to Google, finding question whether a consumer knew, or should have known, that linked site was not related to trademark owner was a question of fact).

6 *See J.G. Wentworth, S.S.C. Ltd. Partnership v. Settlement Funding, LLC,* 2007 WL 30115 (E.D. Pa. 2007) (rejecting initial interest confusion where plaintiff did not allege that search results including defendant's advertisements and links incorporated plaintiff's marks in any way discernable to internet users and potential customers); *see also Playboy Entertainment,* 354 F.3d at 1025 n.16 ("Note that if a banner advertisement clearly identified its source or, even better, overtly compared PEI products to the sponsor's own, no confusion would occur under PEI's theory."); *Boston Duck Tours, LP v. Super Duck Tours, LLC,* 527 F. Supp. 2d 205 (D. Mass., 2007) (finding that competitor's website retrieved through keyword search served to distinguish it from plaintiff, thus diminishing any confusing between the two companies).

7 *See Hamzik v. Zale Corporation/Delaware,* 2007 WL 1174863 (N.D.N.Y. 2007).

8 This would seem to be a more difficult defense for an advertiser who uses another's service mark, because it is less clear that an unauthorized reseller could in fact sell genuine services represented by the mark.

9 15 U.S.C. § 1125(a).

10 15 U.S.C. § 1125(c).

11 The search engines would likely assert that they are immune from suit under section 230 of the Communications Decency Act of 1996. 47 U.S.C. § 230(c)(1). Under section 230(c)(1), an internet service provider can have no liability as a publisher of content provided by others. In this case, however, search engines are not merely passive providers of others' content. Rather they are interactive suppliers of the trademarked terms used as key word triggers. *See Fair Housing Council of San Fernando Valley v. Roommates. Com, LLC,* 521 F.3d 1157 (9th Cir. 2008) (en banc). Moreover, the Communications Decency Act contains a savings clause that indicates that it is not intended to limit or expand intellectual property protection laws. 47 U.S.C. § 230(e)(2). It would certainly seem anomalous if a search engine company could sell the rights to use particular words but not be considered a source or provider of those words when they are used as part of an internet advertising program.

12 *See supra* note 3.

13 414 F.3d 400 (2d Cir. 2005).

Sitrick v. Dreamworks, LLC, 516 F.3d 993 (Fed. Cir. 2008)

By Shannon Beutel
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In *Sitrick*, the Court of Appeals for the Federal Circuit affirmed the district court's summary judgment decision striking down patentee Sitrick's claims for lack of enablement. The *Sitrick* opinion illustrates the rule that claims are invalid absent full enablement. The court relied on *Auto. Techs. Int'l, Inc. v. BMW of N. Am., Inc.*, 501 F.3d 1274, 1285 (Fed. Cir. 2007), holding that full scope of the claimed invention must be enabled. The court pulled evidentiary and procedural standards from *AK Steel Corp. v. Sollac*, 344 F.3d 1234, 1238-39 (Fed. Cir. 2003).

Sitrick held two patents for his inventions, U.S. Patent Nos. 5,553,864 ("the '864 patent") and 6,425,825 ("the '825 patent"). Broadly, the patents involved "integrating a user's audio signal or visual image into a pre-existing" presentation. Sitrick sued Dreamworks, New Line, and others ("Defendants") for infringement based on their marketing DVDs with a feature known as "ReVoice Studio," which allows users to combine their own voices with pre-existing video images stored on the DVD. 516 F.3d 993, 995-96.

The claim term "presentation" encompasses both videogames and movies. At the trial court level, Sitrick successfully countered Defendants' request that the claims be limited to video games. *Id.* at 996. The Federal Circuit then applied the rule that "[b]ecause the asserted claims are broad enough to cover both movies and video games, the patents must enable both embodiments." *Id.* at 1000.

One claim described an audio user image, rather than visual user images. Claim 54 of the '864 patent professed to "*synthetically generate a voice*" by virtue of voice modeling input to a "voice synthesizer." The Special Master interpreted this to mean a voice modeled from actual user input. However, the district court rejected this patent interpretation by the Special Master, because it "read [limitations] out of the claim," *id.* at 997. Instead, the court interpreted the claim to use voice modeling to produce an entirely synthetic voice. The Defendants put forth evidence that this claim was not enabled, and Sitrick failed to contradict the Defendants.

An Intercept Adapter Interface System (IAIS) would perform the heavy lifting of implementation in the rest of the claims (claim 56 of the '864 patent and all asserted claims of the '825 patents). Accordingly, the district court found the IAIS to be "the most fundamental part of both the '864 and '825 patents." *Id.* (quoting *Sitrick v. Dreamworks, LLC*, No. 03-4265, slip op. at 56 (C.D. Cal. July 21, 2006)). The patent professed to enable the IAIS for videogames by the interception of digital address signals.

On appeal, Sitrick argued that his expert's testimony raised a triable issue of fact as to enablement of visual substitutions for movies. However, his expert's testimony failed to raise a triable issue of fact because enablement must be determined from a PHOSITA's viewpoint. Both courts determined, based on Sitrick's expert's admissions during testimony, that the expert was not skilled in the art of movie making. Additionally, both courts held the testimony to be conclusory. *Id.* at 1001.

In the reasoning of their enablement analyses, both the Court of Appeals and district court began with the patent disclosure in the specification. "Neither patent specification in this case teaches how the substitution and integration of a user image would be accomplished" for movies. *Id.* at 1000. Defendants' experts testified to the same, and demonstrated that none of the identified analysis techniques for selecting, analyzing, or identifying character functions or intercepting character signals in video games would work for movies. The court stated "[e]ven if the claims are enabled with respect of video games—an issue we need not decide—the clams are not enabled if the patents do not also enable for movies." *Id.* The court found the specifications did not fully enable the claims, and as a result, the claims were void.

Interestingly, the district court engaged a Special Master, then passed over the Special Master's recommendation. The Special Master recommended denying the Defendants' motion for summary judgment because neither party specifically defined the PHOSITA in briefing. Two possible policies underscoring this action by the district court are (1) conserving judicial resources, deciding the case while saving time, or (2) the denial of the Special Master's PHOSITA focus may result from upholding the Federal Circuit's pre-*KSR* PHOSITA standard as an "automaton" who wouldn't need explanation.

An important tip from *Sitrick*: If patenting a technology that only applies to video games, use the term "video games" and not the term "presentation."

Doe v. Geller, 533 F. Supp.2d 996 (N.D. Cal. 2008)

By Carey Caldwell
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The District Court for the Northern District of California recently dismissed a notice-and-takedown case for lack of personal jurisdiction. The "John Doe" plaintiff, Brian Sapient, posted a video on YouTube that sought to debunk defendant Uri Geller's claimed psychic powers. The over-thirteen-minute video contained a three-second clip to which Geller owns the copyright. Geller sent YouTube a takedown notice pursuant to 17 U.S.C. § 512(c)(3) identifying Sapient's post as infringing his copyright. Subsequently, YouTube removed the Sapient posting in response to the takedown notice and suspended Sapient's YouTube account for more than two weeks, thus rendering all Sapient's posted videos unavailable. Complicating matters, Sapient resides in Pennsylvania, where, the day before Sapient filed suit in California, Geller filed suit against Sapient for infringement; Geller resides and sent notice from England; and YouTube is located in California.

Sapient claimed, in his suit in California, that his posting did not infringe Geller's copyright due to fair use, and that the takedown notice "knowingly and materially misrepresent[ed]"[1] to YouTube that Sapient's video was infringing. Consequently, Sapient sought relief under 17 U.S.C § 512(f).[2] Geller challenged the merits of the suit and both the subject matter and personal jurisdiction of the court. The court reached only the lack of personal jurisdiction, dismissing the case.

While not deciding on the subject matter jurisdiction challenge, the court suggested that copyright law may not control the subject matter jurisdiction analysis of a § 512(f) claim, given that it is not a copyright infringement claim but a misrepresentation claim. Though briefly mentioning the possibility of tortious misrepresentation as controlling, the court gave it short shrift, concluding that "subject matter jurisdiction is neither clear nor definitive. Accordingly, the court [was] 'convinced that the challenge to the court's subject-matter jurisdiction [was] not easily resolved and that the alternative ground [of personal jurisdiction] [was] considerably less difficult to decide.'"[3]

The court referenced cases such as *International Shoe*, *Calder*, *Keeton v. Hustler*, and *Asahi* (to name a few) when discussing the Ninth Circuit's three-part test for personal jurisdiction: 1) purposeful availment, 2) forum-related activities, and 3) the reasonable exercise of jurisdiction. Although acknowledging that "[p]ersonal jurisdiction may flow from a single contact with the forum state,"[4] the court found it difficult to apply the precedent on purposeful availment to the facts presented. Thus, the court "decline[d] to rule on the 'purposeful direction' prong of the jurisdiction test." Instead, the court focused on the third prong – reasonableness – in dismissing for lack of personal jurisdiction.

The court pointed to seven factors that the Ninth Circuit weighs when considering the reasonableness of exercising personal jurisdiction:

(1) the extent of the defendant's purposeful interjection into the forum state's affairs;

(2) the burden on the defendant of defending in the forum;

(3) the extent of conflict with the sovereignty of the defendant's state;

(4) the forum state's interest in adjudicating the dispute;

(5) the most efficient judicial resolution of the controversy;

(6) the importance of the forum to the plaintiff's interest in convenient and effective relief; and

(7) the existence of an alternative forum.[5]

The court found that all seven factors favored Geller. Importantly, under the first factor, the court held that the single takedown notice "was not [a] substantial" purposeful interjection into California. Additionally, addressing the fourth factor, the court found that California has little interest in the dispute and is not an "international court of internet law."

These two findings, in conjunction with Geller's ongoing case against Sapient in Pennsylvania (Sapient's home state), led the court to hold that personal jurisdiction was not appropriate for Geller in California. However, in three final comments, the court qualified its decision. First, the court noted that its decision does not harm Sapient's ability to seek relief. The court pointed out that Sapient may still seek § 512(f) remedies with a counterclaim in the Pennsylvania suit. Second, the court indicated that jurisdiction in California may be reason-

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able based on all the circumstances of a slightly different case. The court intimated that Geller may have been subject to personal jurisdiction in California absent the suit in Pennsylvania, or if Geller had sued Sapient in a forum other than Sapient's home state. Third, the court questioned whether copyright owners, unlike alleged infringers who seek to rebut a takedown notice, must ever consent to the personal jurisdiction of a federal district court in a misrepresentation suit.

The 10th Circuit took a somewhat different approach to a similar issue a few days earlier in *Dudnikov v. Chalk & Vermilion Fine Arts, Inc.*[6] In that case, the 10th Circuit held that defendant's single Notice of Claimed Infringement (NOCI) to eBay, under a program eBay created to take advantage of the DMCA safe harbors under 17 U.S.C. § 512, was a sufficient minimum contact to comport with due process and subject the defendant to personal jurisdiction. A key difference between the two cases may be that the *Dudnikov* plaintiffs filed suit in their own jurisdiction, buttressing the *Geller* court's rationale that Sapient could pursue relief in Pennsylvania. Another difference may be that the plaintiffs in *Dudinikov* suffered actual, foreseeable, economic harm, as opposed to the more ephemeral "metaphysical . . . electron-based injuries"[7] the court in *Geller* declined to address. Regardless, the *Geller* court left open many questions as to what will constitute personal jurisdiction absent suit in another jurisdiction, preserving the possibility that California, at least in some instances, may in fact be an "international court of internet law."

Endnotes

1 *Doe*, 533 F. Supp.2d at 1003.

2 17 U.S.C.A § 512(f) provides as follows:
"Misrepresentations.--Any person who knowingly materially misrepresents under this section—(1) that material or activity is infringing, or (2) that material or activity was removed or disabled by mistake or misidentification, shall be liable for any damages, including costs and attorneys' fees, incurred by the alleged infringer, by any copyright owner or copyright owner's authorized licensee, or by a service provider, who is injured by such misrepresentation, as the result of the service provider relying upon such misrepresentation in removing or disabling access to the material or activity claimed to be infringing, or in replacing the removed material or ceasing to disable access to it."

3 *Doe*, 533 F.Supp.2d at 1004 (quoting *Cantor Fitzgerald, LP v. Peaslee*, 88 F.3d 152, 155 (2d Cir. 1996)).

4 *Id.* at 1005.

5 *Id.* at 1007.

6 *Dudnikov v. Chalk & Vermilion Fine Arts, Inc.*, 514 F.3d 1063 (10th Cir. 2008).

7 *Doe*, 533 F.Supp.2d at 1006.

Halliburton Energy Services v. M-I LLC, 514 F.3d 1244 (Fed. Cir. 2008)

By Patrick McAtee
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Patent writers must always try to balance breadth and specificity in writing their patent disclosures. This case offers a lesson on the consequences of overemphasizing the former.

This patent infringement case was tried in the District Court for the Eastern District of Texas in 2006. Halliburton brought the suit, accusing M-I LLC ("M-I") of infringing its patent for "fragile gels," U.S. Patent No. 6,887,832 ("the '832 patent"). M-I moved for summary judgment on the ground that the '832 patent was invalid as indefinite under 35 U.S.C. § 112. The district court granted M-I's motion, and Halliburton appealed. The Court of Appeals affirmed.

The patent at issue describes a fragile gel for use in drilling subterranean formations. Drilling fluids are used to remove cuttings from the hole and to support, cool, and lubricate the drill bit and hole walls. Drilling gels are able to liquefy under stress (such as movement or pressure) and return to a gel-like state when the stress withdraws. This transition allows any debris or drill cutting to become suspended in the fluid.

The gel described in the '832 patent is deemed fragile because of the low stress threshold at which the gel becomes a liquid. Halliburton stated that this threshold is lower "than known to be required to convert prior art fluids from a gel-like state into a flowable state." ' 832 pat., col. 2, ll. 26-42. M-I employed its own "Rheliant drilling mud system" in the same manner as the fragile gel described in the Halliburton patent. The Federal Circuit does not discuss whether M-I's drilling mud system in fact infringes the '832 patent because it determines that "a skilled artisan could not discern the boundaries of the claim based on the claim language, the specification, and the prosecution history, as well as her knowledge of the relevant art area." *Halliburton*, 514 F.3d at 1249-1250.

The court based its conclusion on the patent's lack of quantitative language when describing the particular ability of the claimed composition to transition quickly from a liquid to a gel, and to suspend debris and cuttings in its gel-like state. *Id.* at 1255. The claim relied on terms like "easily transitions," "less gel-like," "quickly returns to a gel," and "minimum pressure, force, and time." *Id.* at 1247. These descriptions fail to sufficiently define the boundary of the '832 patent and do not distinguish it from the prior art. *Id.* The court also noted that these descriptions are more functional than structural or quantitative. *Id.* at 1255. Defining claims with primarily functional language is not inherently wrong, but it does often fail to provide enough clarity to demonstrate the scope of the claim, rendering it indefinite. *Id.* (citing *In re Swinehart*, 439 F.2d 210, 212-213 (CCPA 1971)).

The Federal Circuit also discusses what may be the central lesson in this case: Patentees are allowed to claim their inventions broadly, but "must do so in a way that distinctly identifies the boundaries of their claims." *Id.* at 1253. Halliburton failed here because it did not include in the patent the basic quantitative information about the characteristics of its "fragile gel." This omission is surprising because it is information that any scientist or engineer would surely want to know to assess the gel's fitness for a specific drilling operation. Perhaps the main reason Halliburton obtained the patent was to litigate, and therefore it wanted the greatest breadth for its claim. This seems to be a plausible explanation, given that Halliburton filed its complaint against M-I in district court on the same day the '832 patent issued (May 3, 2005). Overbroad claim language may have provided Halliburton with more potential infringers to litigate against and from which to collect damages, but this strategy did not pay off. By compromising the viability of the patent, Halliburton was not only unable to collect damages; it was also left without a valid patent for its "fragile gels."

The *Halliburton* case is now an example of the possible consequences of over-emphasizing breadth in hopes of collecting more damages from more infringers. As the Roman poet Horace said, "He who is greedy is always in want." Halliburton wanted the best of both worlds in the '832 patent, but in the end got nothing for its greed.

Louis Vuitton Malletier S.A. v. Haute Diggity Dog, LLC, 507 F.3d 252 (4th Cir. 2007)

By Colleen Shovlin
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Louis Vuitton Malletier (LVM) sued Haute Diggity Dog, LLC (HDD) alleging trademark dilution by blurring, among other claims. On cross-motions for summary judgment, the district court granted judgment in favor of HDD on all of the claims, concluding that HDD's products, "Chewy Vuiton" chew toys for dogs, were a successful parody of LVM's marks, trade dress, and copyright. LVM appealed, and the Court of Appeals for the Fourth Circuit affirmed.

HDD manufactures plush toys on which dogs can chew. The toys parody famous trademarks on luxury products, including those of Louis Vuitton Malletier. 507 F.3d 252, 256 (4th Cir. 2007). The parody is that the furry little "Chewy Vuiton" stylized imitation is something for a dog to chew, while an elegant and expensive Louis Vuitton handbag is not. *Id.* at 261. The dog toys are an "exact imitation" of the LVM handbag, including the same design marks, trade dress and color combinations. *Id.* at 259. It is because the HDD design is so

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similar to the LVM mark that the parody is successful.

The Trademark Dilution Revision Act of 2006 (TDRA), effective October 6, 2006, prohibits a person from using a junior mark that is likely to impair the famous mark's distinctivenes. *Id.* at 266. Under section 1125(c) of the revised Act, the owner of a famous mark has the burden of proving a likelihood of dilution when seeking an injunction or other relief for trademark dilution. 15 U.S.C. § 1125(c)(1). A plaintiff is not required to show actual confusion, the presence of competition, or actual economic injury. *Id.* at 265. The revised statute relaxes the evidentiary standard compared to prior law. The TDRA is a response to the Supreme Court's ruling in *Moseley*, where the Court interpreted the federal dilution statute as requiring a showing of actual dilution by a plaintiff in order for a court to grant an injunction. *Moseley v. V Secret Catalogue, Inc.*, 537 U.S. 418, 433 (2003).

Because HDD's "Chewy Vuiton" marks are a successful parody of Louis Vuitton handbags, the Fourth Circuit concluded that they "will not blur the distinctiveness of the famous mark." 507 F.3d at 267. According to the Fourth Circuit, "[w]hile a parody intentionally creates an association with the famous mark in order to be a parody, it also intentionally communicates, if it is successful, that it is *not* the famous mark, but rather a satire of the famous mark." *Id.* "Indeed," the court continued, "by making the famous mark an object of the parody, a successful parody might actually enhance the famous mark's distinctiveness by making it an icon. The brunt of the joke becomes yet more famous." *Id.* The holding in this case is important because it shows that, even with the TDRA's relaxed standard for proving trademark dilution, plaintiffs are still not guaranteed victory.

The "fair use" provision in the TDRA, § 1125(c)(3)(A)(ii), precludes claims for dilution if the parodist uses the famous mark in a way other than as its own mark. However, the Fourth Circuit made clear that "a parody is not automatically a complete *defense* to a claim of dilution by blurring where the defendant uses the parody as its own designation of source, i.e., *as a trademark*." *Id.* at 266. The use of a mark as a parody should simply be a factor in a court's determination of whether it will impair the famous mark's distinctiveness. Here, HDD did not use LVM's trademark as its own in a conventional, competitive way. The imperfect adoption of LVM's designs was simply to mock the conspicuous consumption of the rich and famous.

Riviera Distributors, Inc. v. Jones, 517 F.3d 926 (7th Cir. 2008)

By Peter Tovey
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In *Riviera Distributors, Inc. v. Jones*, plaintiffs ("Riviera") filed suit alleging that defendants' ("Jones") video-poker game infringed their video game source code. After more than a year had passed, Riviera filed a motion to dismiss, conceding that it lacked sufficient evidence to prove its claim. The district judge dismissed the case with prejudice, whereupon Jones applied for attorney's fees under the Copyright Act, which authorizes a court to "award a reasonable attorney's fee to the prevailing party as part of the costs." 17 U.S.C. § 505. The judge denied the request for attorney's fees, ruling that Jones was not the prevailing party because the judge made no finding on the merits of the litigation.

At issue on appeal was whether Jones was the prevailing party, and whether the denial of attorney fees was proper under 17 U.S.C. § 505. The court of appeals reversed the district court's ruling, holding that Jones was the prevailing party, and as such, was entitled to an award of reasonable attorney's fees, including the costs of appeal.

The court rejected the district judge's approach that a party "prevails" only if the judge sustains its position on the merits. Judge Easterbrook, writing for the 7th Circuit panel, reasoned that it is not the content of a judge's opinion, but the existence of a favorable judgment, that makes a litigant a prevailing party. Following the U.S. Supreme Court's ruling "that a party 'prevails' (for the purpose of fee-shifting statutes) when it obtains a 'material alteration of the legal relationship of the parties,'"[1] the court opined that a judgment in a party's favor materially alters the parties' legal relationship. For example, "A consent decree confers prevailing-party status even though everyone denies liability as part of the underlying settlement, and the judge takes no position on the merits."[2]

The 7th Circuit stated that Jones obtained a favorable judgment when Riviera "threw in the towel," and that this did not make Jones "less the victor than it would have been had the judge granted summary judgment or a jury returned a verdict in its favor." Furthermore, the court reasoned that when the district judge awarded regular costs to Jones under F.R.C.P. 54, he recognized Jones as the prevailing party because only the "prevailing party" is entitled to costs. As the prevailing party for regular costs, Jones was also the prevailing party for the purpose of § 505, "which allows an award of attorneys' fees as part of costs."[3]

In examining the remaining issue of whether this was an appropriate occasion for fee shifting, the court made it clear that the district court's rejection of any suggestions that Riviera's suit was frivolous, baseless, or objectively unreasonable was "not … the standard for an award under § 505." The trial court's standard is "used under statutes such as 42 U.S.C. § 1988 that authorize an award to a prevailing defendant only if the suit is frivolous or vexatious." The court cited to *Fogerty v. Fantasy, Inc.*, 510 U.S. 517 (1994), where the U.S. Supreme Court rejected "such an asymmetric approach." Section § 505 "treats both sides equally and allows an award in either direction."[4]

The court added that fee shifting under § 505 was appropriate in this suit because "it was filed in the teeth of an agreement not to sue." Specifically, Riviera had filed the same infringement suit earlier and the parties settled, agreeing to resolve future claims through alternative dispute resolution. When Riviera filed suit the second time, Jones had to pay the very expenses it sought to avoid in the earlier agreement. Thus the court concluded that "the party responsible for creating excessive legal costs must bear them itself in the end."[5]

Just who is the "prevailing" party? The holding in *Riviera Distributors* is a reminder to litigants and judges alike that the focus should be on the final judgment, not on whether the judge sustained a litigant's position on the merits. Simply stated, the winning party is the prevailing party and is entitled to attorneys' fees under § 505. The court's ruling also reaffirms the fee shifting standard under § 505 and supports the proposition that a litigant who files suit in good faith may still be liable for attorneys' fees.

Endnotes

1 517 F.3d 926, 928 (7th Cir. 2008) (quoting *Buckhannon Board & Care Home, Inc. v. West Virginia Dp't of Health & Human Resources*, 532 U.S. 598, 604 (2001)).

2 *Id.*

3 *Id.*

4 *Id.*

5 *Id.* at 929.

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