

THE INCREASING VALUE OF TRADEMARKS ON THE INTERNET

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The advent of the Internet has generated an explosion of online advertising and an entirely new channel of commerce as service providers and merchants seek profits from this innovative means of communication. There is no longer the need for a traditional brick and mortar store front. Internet commerce reduces the cost of overhead, increases visibility and expands the purchasing audience. However, the Internet comes with its own set of issues. The need for intellectual property protection has increased even more in this new venue. Registered trademarks can assist your business in protecting its domain names, advertising keywords, metatags and website content. Trademarks will also enable your business to prohibit competitors from utilizing these brands to profit off of your business' established goodwill. The formal protection of trademarks is especially important now in these difficult economic times. Currently competitors are utilizing every method they can find to gain a competitive edge. Often this includes the unauthorized use of brands to drive business.

DOMAIN NAME PROTECTION

Domain names are protected by trademark laws under the Lanham Act 15 U.S.C. Chapter 22. To prohibit the use of an infringing domain name, the trademark holder can opt to utilize the International Corporation for Assigned Names and Numbers through the Uniform Domain Name Dispute Resolution forum (ICANN Proceeding) or can file suit in Federal Court. The choice of forum is dependant on the extent of the harm and the remedy sought. If the remedy



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sought is merely an injunction and a return of the domain name, which has been taken in bad faith, ICANN may be the optimal forum. If both an injunction and monetary damages are the remedies sought, then the Federal Courts are the forum of choice. If a trademark is not formally registered, these two means of domain name protection are much more difficult to pursue and the lack of registration makes it that much harder to prevail in litigation.

ADVERTISING KEYWORD PROTECTION

One way Internet search engines derive profits is by selling advertising linked to search terms known as "keywords." An advertiser pays to have its advertisement displayed whenever certain keywords are used in search engines. When a consumer is looking for a product or service, they type a search term into a search engine. The search engine then displays a list of results. The list generated by the search engine includes not only the website found in the natural criteria, but also the websites of the advertisers who have paid the search engine to display their ads based on paid for keywords.

Advertisers pay the search engine based on the number of times the user clicks on the sponsored link. Search engines monitor "click rates" - the ratio between the number of times the user clicks on the website ads and the number of times the ads are shown. The higher the click rate, the more successful the ad is, so the search engine uses the rates to convince advertisers to renew their keyword contract.

Until a few years ago, Courts were reluctant to provide trademark protection for terms used as keywords in Internet advertising. Recently this has begun to change and a competitor's use of another business' registered trademarks as keywords is being found to be an infringement of trademark rights. For instance, in the case of 800 JR Cigar, Inc. v. Goto.com, Inc, the Court determined that the search engine GoTo's use of the plaintiff's trademark was a "trademark use" sufficient to sustain claims of trademark infringement and dilution. 437 F. Supp.2d 273 (D.N.J. 2006). In California the courts have determined that the use of trademark terms as keywords in Internet advertising may be "use in commerce" under the Lanham Act.¹ In 2007, Utah enacted a law restricting the purchase and use of trademarks as Internet search engine keywords that trigger advertisements.

New York has been slow to follow, but now seems to be jumping on this trend. A New York District Court found that there may be an actionable Lanham Act "use" when the plaintiff's trademark is used as a key phrase in an Internet search engine that results in the appearance of the trademarked phrase in the results displayed next to the competitor's name, goods or advertisement.²

¹ In *Google, Inc. v. American Blind & Wallpaper Factory, Inc.*, 2007 WL 1159950 (N.D. Cal. 2007)

² In *Hamzik v. Zale Corp./Delaware*, 2007 WL 1174863 (N.D.N.Y. 2007)

METATAG PROTECTION

Metatags are HTML codes intended to describe the contents of a website. A metatag HTML code is not visible to Internet users, yet it is highly visible to search engines. Search engines look for keywords in places such as domain names, actual text on the web pages, and metatags. In recent years, Courts have begun to provide trademark protection to metatags. Some Courts have held that an advertiser makes “trademark use” of a competitor’s mark by including a competitor’s mark as a metatag in the advertiser’s website.³ However, other districts still disagree. In short, it appears that the trend seems to be moving toward the recognition of

metatag trademarks.

CONCLUSION

In light of the fact that the courts are affording more protection to trademarks on the Internet, it has become even more important to file for trademark protection on key phrases and terms if your business has an Internet presence. In these difficult economic times many businesses are attempting to profit off the good will of their competitors by utilizing their well established brands. A trademark registration gives your business the ability to protect your well-established brand and prohibit competitors from utilizing these brands to profit off of your business’

hard earned reputation. In addition to established businesses registering their trademarks, one of the key assets a start-up business can create with fairly low investment and a potentially high return is an intellectual property (IP) portfolio. This IP portfolio should include trademarks as well as copyrights and patents.

If you would like more information on this or other trademark issues, please contact Lisel Ferguson at 619.515.3207.

³ *Brookfield Communications, Inc. v. West Coast Entm’t Corp.*, 174 F.3d 1036, 1054 (9th Cir. 1999); *Faegre & Benson, LLP v. Purdy*, 447 F.Supp.2d 1008, 1017 (D.Minn 2006)