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Internet remains a trademark battleground

In an unfortunate turn of events this month for trademark owners, a hoped-for resolution in the battle over trademark rights in cyberspace fizzled as the Standing Committee on the Law of Trademarks, Industrial Designs and Geographical Indications (SCT) failed to make significant progress on a new joint recommendation for cybermarks for the 21st century.

The Internet has proven a boon to trademark owners as the value of branded goods and services has exploded. Digital marketplaces, such as eBay, have expanded distribution channels, while the virtual worlds of video-gaming and social media enable mark owners to reach new audiences. Trademarks have morphed from source identifiers to Internet search terms.

Like most areas related to the Internet, however, the unbounded opportunity of cyberspace is challenged by the uncontrolled enthusiasm of end users and third-party intermediaries to create new and potentially harmful uses. Avatars are designed to resemble well-known comic super-heroes who engage in adult conduct never authorized by their mark holders while virtual vendors sell unauthorized, cut-rate, virtual versions of Ferrari cars and Gucci shoes. With no significant international accord on the treatment of marks in cyberspace since 2001, a new understanding is overdue. Based on recent events by the SCT in Geneva, brand owners may have to wait a bit longer for the opportunity to shape the scope of any future agreements.

In 2001, the SCT crafted a Joint Recommendation Concerning Provisions on the Protection of Marks, and Other Industrial Property Rights in Signs on the Internet (Joint Recommendation). Adopted by the General Assembly of the World Intellectual Property Organization (WIPO), the joint recommendation focused primarily on the links between territorially grounded traditional trademark laws and the global reach of e-commerce. Among its most significant advances were a list of factors to determine when uses in cyberspace had sufficient commercial effect in a particular country to warrant extension of its trademark laws. These factors included the language used on the site, the registration of the related domain name with a standard country code (such as .uk), and the number of local visitors to a site. While the joint recommendation served as a valuable first step in the



Global IP

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dialogue over the relationship between traditional trademark law and cyberspace, it did not create a self-contained trademark regime for the Internet or deal with nontraditional uses in cyberspace, including domain names, keywords; or as virtual marks in video games. These shortcomings lie at the heart of the debate over cyber-marks today.

There is presently no international agreement (or even consistent domestic standards) on the responsibility of third-party intermediaries, such as eBay, to police the sale of counterfeit goods on their sites. While many sites remove counterfeit goods on notice from the trademark owner, others do not. In fact, many rogue sites actively promote the sale of counterfeit products. There is also no consistent rule regarding whether auction site operators must pro-actively monitor their sales absent brand owner notification. Although many countries presently reject an affirmative obligation, the 2nd U.S. Circuit Court of Appeals in *Tiffany v. E-bay*, indicated that site operators could be liable for “willful blindness.”

There is even less international agreement about the liability of Internet search engine operators, such as Google, for the use of trademarks as keywords. Keywords assure the purchaser’s site will appear first whenever the keyword is used by an end user in a search request. At present, companies can purchase competitors’ marks as keywords. For example, a distributor of Coca-Cola branded products could purchase rights to the keyword “Pepsi” so that when-

ever someone uses that term in an Internet search his website will appear first. Keyword programs can be extremely lucrative. Google reportedly earned about 30 percent of its total revenues in the first quarter of 2010 on its keyword program, AdSense.

Internationally, keywords have been treated inconsistently. Courts have disagreed over the fundamental issue of whether trademarks used as keywords qualify as actionable trademark use. A recent decision by the 2nd Circuit in *Rescue.com Corp. v. Google, Inc.* held that such use qualified as an actionable “use in commerce.” By contrast, the European Court of Justice, in *Google France SARL v. Louis Vuitton Malletier SA*, held that such use did not qualify as trademark use by the search engine operator.

The rise of social media and multiplayer, online video games has similarly raised the stakes in the game of who-will-control-marks-in cyberspace. For social media sites such as Facebook, trademarks are increasingly used in “vanity URLs” which allows users to create unique identifiers such as www.facebook.com/Name. The use of these vanity URLs raise issues similar to those created by the use of third-party trademarks in domain names. However, unlike domain names, no international method for resolving disputes has yet been crafted.

More problematic is the rise in popularity of virtual gaming worlds, such as Second Life, where players can buy and sell virtual products, many of which bear real-world brands. In the absence of a physical form, it is unclear whether the unauthorized use of such marks qualifies as an actionable violation of the hard-goods brand owner’s rights. The registration of the Aimee Weber avatar (Reg. No. 3531683) in connection with the virtual interior design services she offers in Second Life indicates that, at least in the United States, such uses may well qualify. The challenge of virtual branded goods has even struck the fever surrounding the royal wedding of Prince William and Kate Middleton with a commemorative towel available for download as an iPad application.

As cyberspace expands to the “cloud,” the need for an international solution to cybermark controversies will only increase. With the next meeting of the SCT scheduled for October, mark owners may still have the chance to shape the scope of future trademark protection.