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ELEVENTH CIRCUIT FINDS USE OF COMPETITOR'S MARKS IN METATAGS CONSTITUTES TRADEMARK INFRINGEMENT; QUESTIONS PRESUMPTION OF IRREPARABLE HARM IN TRADEMARK CASES

Agreeing with the Seventh and Ninth Circuits, the Eleventh Circuit has held that use of a competitor's trademark in a metatag may give rise to actionable consumer confusion, and has confirmed that such use is a "use in commerce" under the Lanham Act. *North American Medical Corp. v. Axiom Worldwide, Inc.*, 2008 U.S. App. LEXIS 7370 (11th Cir. April 7, 2008). The Court also suggested that the Supreme Court's *eBay*[1] patent decision may have eliminated the presumption that a showing of likelihood of success on the merits establishes that the plaintiff is being irreparably injured by the defendant's trademark infringement.

The lawsuit was brought by North American Medical Corp. ("NAM"), a manufacturer of spinal therapy devices, against its competitor Axiom Worldwide, Inc. ("Axiom"), alleging that Axiom infringed NAM's trademarks "Accu-Spina" and "IDD Therapy" by using them as metatags on its website. When an Internet search was conducted for NAM's trademarks, not only was Axiom's website listed in the search results, but the search results also included a description – drawn from Axiom's website metatag – that contained NAM's trademarks. The district court issued a preliminary injunction on plaintiff's trademark infringement claim as well as on an unrelated false advertising claim.

Affirming, the Eleventh Circuit "readily conclude[d]" that Axiom's use of NAM's trademarks as metatags constitutes a "use in commerce;" *i.e.* that the metatags were "use[d] in connection with the sale or advertisement of goods." This ruling is consistent with the rulings of the Seventh and Ninth Circuits, which have held that uses in metatags can give rise to trademark infringement claims.[2] The Court distinguished the Second Circuit's decision in *1-800 Contacts, Inc. v. WhenU.com, Inc.*, 414 F.3d 400, 406-07 (2d Cir. 2005), in which the Court held that the defendant had not engaged in a "use in commerce" under the Lanham Act. In *1-800 Contacts*, the defendant had used the trademark owner's website address (which incorporated the owner's trademark) in an internal database, in order to generate pop-up advertisements that promoted competitors' goods when a user entered the trademark owner's website address. The Eleventh Circuit distinguished *1-800 Contacts* on the grounds that, unlike in *North American*, the defendant in *1-800 Contacts* (a) used only the plaintiff's website address in its metatags, and not the defendant's similar trademarks, and (b) more significantly, "never caused plaintiff's trademarks to be displayed to a consumer" and, thus, did "not create a possibility of visual confusion with 1-800's mark." Although the internal database use in *1-800 Contacts* was not a "use in commerce," the metatag use in *North American*, where the contents of the metatag was displayed in search engine results, was such a use.

The Eleventh Circuit also upheld the finding of a likelihood of confusion. The Court held that "source confusion" was likely to exist because "consumers are likely to be confused as to whether Axiom's products have the same source or sponsor as NAM's or whether there is some other affiliation or relationship between the two" after viewing the search engine's description of Axiom's site, generated by the metatags, which contained NAM's trademarks. The Eleventh Circuit stated that it need not decide, as did the Ninth Circuit in *Brookfield Communs., Inc. v. West Coast Entertainment Corp.*, 174 F.3d 1036, 1045 (9th Cir. 1999), and the Seventh Circuit in *Promatek Industries, Ltd. v. Equitrac Corp.*, 300 F.3d 808, 810-13 (7th Cir. 2002), whether a finding of initial interest confusion could be based

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1 *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388 (2006).

2 *See, e.g., Brookfield Communs, Inc. v. West Coast Entertainment Corp.*, 174 F.3d 1036 (9th Cir. 1999); *Promatek Industries, Ltd. v. Equitrac Corp.*, 300 F.3d 808 (7th Cir. 2002).

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on use of a trademark in a metatag, because NAM had demonstrated a likelihood of actual *source* confusion resulting from the appearance of the plaintiff's marks in the description of defendant's website in search engine results.

Although the Eleventh Circuit affirmed the district court's findings with respect to the likelihood of success on the merits, it vacated the preliminary injunction, remanding for further findings with respect to whether Axiom's actions irreparably injured NAM. Acknowledging that it was "established law" that there is "a presumption of irreparable harm once a plaintiff establishes a likelihood of success on the merits of a trademark infringement claim," the Court stated that the Supreme Court's ruling in *eBay* "calls into question whether courts may presume irreparable harm merely because a plaintiff in an intellectual property case has demonstrated a likelihood of success on the merits." In *eBay*, the Court held that, on a motion for a permanent injunction, the district court must apply "the traditional four-factor framework that governs the award of injunctive relief" and must exercise its "equitable discretion . . . consistent with traditional principles of equity." *eBay*, 547 U.S. at 393-94.[3] In vacating the injunction, the Eleventh Circuit stated that "a strong case can be made that *eBay's* holding necessarily extends to the grant of preliminary injunctions under the Lanham Act," but declined to decide the issue, and remanded the case to the district court for further consideration of the availability of injunctive relief.

The Eleventh Circuit's decision confirms that a use of trademarks in website metatags can give rise to a claim of trademark infringement, and would limit the Second Circuit's *1-800 Contacts* decision to the unique circumstance when a defendant only uses a plaintiff's mark in an internal database and does not reproduce the mark for Internet users to see. Of equal significance, the decision raises the question of what impact, if any, the Supreme Court's decision will have on requests for injunctions in trademark cases, in which courts traditionally have presumed irreparable harm when trademark infringement was established.

TWO COURTS DECIDE WHETHER WEBSITE OPERATORS ARE LIABLE FOR USER CONDUCT WITH DIFFERENT RESULTS: CRAIGSLIST AND ROOMMATES SUMMARY/COMPARISON

Within three weeks of each other, two circuit courts recently ruled on the issue of Communications Decency Act ("CDA") immunity for websites displaying housing-related user-generated content ("UGC") – with both decisions reaching diametrically different conclusions. Specifically, in a case decided on March 14, 2008 involving Craigslist, the Seventh Circuit found no liability for a neutral website operator for housing discrimination. Alternatively, on April 3, 2008, the 9th circuit concluded that another website operator, roomates.com, could be liable for housing description. How can these two decisions be reconciled?

By way of background, Craigslist, Inc., operates an eponymous website allowing homeowners and landlords to connect with potential buyers and tenants. The Chicago Lawyers Committee for Civil Rights claimed Craigslist violated the federal Fair Housing Act by publishing discriminatory postings excluding protected classes, just as a newspaper would violate the Act by publishing a discriminatory classified ad. (*Chicago Lawyers' Comm. for Civil Rights Under Law, Inc. v. Craigslist, Inc.*, No. 07-1101 (7th Cir. Mar 14, 2008).) Craigslist claimed immunity under the CDA, which states that "no provider . . . of an interactive computer service shall be treated as the publisher or speaker of any information provided by another information content provider."

Because of the neutral, passive nature of Craigslist's service, the Seventh Circuit deemed it immune under the CDA. Craigslist was neither liable for the content of its postings nor did it have an affirmative obligation to inspect its site for objectionable content. The Seventh Circuit also rejected the argument that Craigslist "caused" publication of the notices. Judge Easterbrook explained that "an interactive computer service 'causes' postings only in the sense of providing a place where people can post." Craigslist did not "induce anyone to post any particular listing or express a preference for discrimination."

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[3] That four-factor test for permanent injunctive relief, as stated in *eBay*, requires a plaintiff to demonstrate "(1) that it has suffered an irreparable injury; (2) that remedies available at law, such as monetary damages, are inadequate to compensate for that injury; (3) that, considering the balance of hardships between the plaintiff and defendant, a remedy in equity is warranted; and (4) that the public interest would not be disserved by a permanent injunction." 547 U.S. at 391.

In distinguishing Craigslist's passive service, Judge Kozinski writing for the Ninth Circuit, reasoned that roommates.com's roommate matching website required users to disclose gender, sexual orientation, and whether they would bring children to the household as a condition of using the website by virtue of its drop-down menus and other functionality. Subscribers offering housing were required to disclose the gender and sexual orientation of current residents and specify any restrictions on gender or sexual orientation of desired roommates. Roommates.com generated emails regarding potential housing matches tailored to these responses.

The Ninth Circuit held that under the CDA, immunity does not extend to those "responsible, in whole or in part, for the creation or development of" objectionable content. (*Fair Hous. Council of San Fernando Valley v. Roommates.com, LLC*, No. 04-56916 (9th Cir. April 3, 2008).) Chief Judge Kozinski explained that a website "contribut[ing] materially to the alleged illegality of the conduct" is a developer. "By requiring subscribers to provide the information as a condition of accessing its service and by providing a limited set of pre-populated answers," rooomates.com sacrificed its passive nature and became a "developer" of the user-generated content, ineligible for CDA immunity.

Nevertheless, the free-form, user-generated "additional comments field" on roommates.com was CDA immune, as it merely provided a neutral forum for users to post content, and did not encourage or enhance any discriminatory content.

The *Craigslist* and *Roomates.com* cases teach that preserving CDA immunity requires a website soliciting UGC to retain its neutral, passive nature and refrain from materially contributing to potentially illegal activity in the form of drop-down menus or other functionality. Website owners displaying UGC should seek the advice of counsel well-versed in Internet law to assess whether their websites qualify for CDA protection, lack of which may lead to costly, protracted legal woes.

THE FTC IS TAKING A STRONG STANCE AGAINST DECEPTIVE ONLINE ADVERTISING WITH THE RECORD $2.9 MILLION CIVIL FINE AGAINST VALUECLICK

The FTC is taking a strong stance against deceptive advertising on the web as evidenced by the S*tipulated Final Judgment For Civil Penalties And Permanent Injunctive Relief* that was filed in the Central District on March 17, 2008 in the matter titled *United States of America v. ValueClick*, *Hi-Speed Media, Inc.*, *and E-Babylon* (Case No. CV 08-01711). The judgment prohibits ValueClick from (a) falsely advertising "free gifts" on its websites when payments are required to obtain same; and (b) failing to protect consumers' personally identifiable information.

False Advertising Was Prohibited. In the *ValueClick* action, the Department of Justice charged that ValueClick's subsidiary Hi-Speed Media used deceptive e-mails, banner ads, and pop-up ads to increase consumer traffic to its websites. Consumers were offered so-called "free" gifts, including laptops, iPods and high-value gift cards. However, once they arrived at the sites to claim the "free" gifts, consumers faced a barrage of (previously undisclosed) third party offers – including car loans and satellite television subscriptions – which consumers were required to purchase, in order to receive the supposedly "free" merchandise. The government charged that ValueClick's use of deceptively labeled e-mails offering "free gifts" and its failure to disclose that consumers must make significant expenditures to obtain the promised "free" merchandise violated the CAN-SPAM Act and the FTC Act.

Failure to Protect Personally Identifiable Information Was Prohibited. The FTC also charged that ValueClick and its subsidiaries misrepresented their protection of customers' sensitive financial information was consistent with industry standards. In fact, it was discovered that ValueClick often failed to encrypt customers' personal information altogether. Moreover, when encryption did occur, it was not on par with industry standards.

Injunctive Relief Was Granted. The *Stipulated Final Judgment* also grants injunctive relief that bars future violations of the CAN-SPAM Act. It requires ValueClick and Hi-Speed Media to clearly, conspicuously, and in close proximity to the offers, disclose in their ads and on their promotional websites that consumers have to spend money or assume other obligations to qualify for "free" merchandise. The *Stipulated Final Judgment* also requires the

defendants to provide a list of the obligations – such as applying for credit cards, purchasing products or obtaining a car loan – that consumers must incur to qualify for a free product. The *Judgment* also requires ValueClick to implement a comprehensive information security program that is "reasonably designed to protect the security, confidentiality, and integrity of personal information collected from or about consumers."

A Record $2.9 Million Civil Fine Was Paid. In addition, ValueClick and Hi-Speed Media paid a hefty $2.9 million civil penalty to resolve the CAN-SPAM liability. According to the FTC, this is the largest settlement in a case based on the CAN-SPAM Act, which was enacted in 2003.

VIACOM INTERNATIONAL INC. V. YOUTUBE, INC.: COURT RULES THAT PUNITIVE DAMAGES WILL NOT BE AVAILABLE TO VIACOM

Under the Copyright Act, copyright owners may elect to recover from an infringing party either actual damages, including profits attributable to the infringement, or statutory damages.[4]

In cases of willful infringement, the Act permits an increase in statutory damages.[5] However, the Act does not provide a corresponding increase for actual damages.

Traditionally, and in most other substantive areas of the law, actual damages compensate actual losses. Losses resulting from willful or malicious conduct are typically compensated by punitive damages, which are intended to punish and thereby deter such conduct.

Does the Act permit a punitive damages remedy where a copyright owner elects actual damages and proves willful or malicious infringement?

The court addressed this issue in *Viacom International v. YouTube*[6] in the context of deciding a motion to amend a complaint. Viacom, a leading producer and distributor of television programming and motion pictures, commenced infringement litigation against YouTube, operator of the ubiquitous website which permits the free use of uploaded user-generated video content, claiming that YouTube unlawfully profits from the unlicensed sharing of Viacom's copyrighted movies and television programs.

Viacom moved to amend its complaint to plead a claim for punitive damages. In support, Viacom cited the Court's decision in *Blanch*.[7] In that case, the Court found that even though the plaintiff proved willfully infringement, relief was not available under the Act.[8]

Nonetheless, the Court, perhaps wanting to punish a defendant whose methods of infringement the Court of Appeals characterized as copying "so deliberate as to suggest that defendants resolved so long as they were

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[4] The Act permits recovery of statutory damages between $750 and $30,000 for infringements "with respect to any one work." 17 U.S.C. § 504(c)(1).

[5] If a copyright owner proves that the infringement was committed willfully, the Act grants discretion to courts to increase statutory damages to a sum of not more than $150,000. 17 U.S.C. § 504(c)(2).

[6] *Viacom Int'l Inc. v. YouTube, Inc.*, Civ. No. 07-2103 (S.D.N.Y. March 7, 2008).

[7] *Blanch v. Koons*, 329 F. Supp. 2d 568 (S.D.N.Y. 2004), complaint dismissed on summary judgment, 396 F. Supp.2d 476 (S.D.N.Y. 2005), aff'd, 467 F.3d 244 (2d Cir. 2006).

[8] Because the infringement occurred before plaintiffs registered their works, plaintiff could not recover statutory damages. Plaintiff could not recover actual damages, for she had not sustained any. As a result, plaintiff could not seek relief under the Act.

significant players in the art business, and the copies they produced bettered the price of copied work by a thousand to one, their piracy [would continue]," permitted the punitive damages claim to go forward.[9]

Viacom argued that *Blanch* was controlling precedent. The Court disagreed, concluding that because Viacom retains its right to choose one of the alternative remedies under the Act, the case was not analogous to *Blanch* and even if it was, persuasive and controlling authority regards *Blanch* as disfavored law.[10]

The Court's decision adds to the growing jurisprudence rejecting punitive damages as a remedy to punish willful and malicious infringement under the Copyright Act.

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9 *Rogers v. Koons*, 960 F.2d 301, 303 (2d Cir. 1992).

10 *Viacom Int'l Inc*, Civ. No. 07-2103, slip op. at 6-7.

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