

# Survey of the Law of Cyberspace: Intellectual Property Cases 2006

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## I. INTRODUCTION

Cyberspace continues to present fascinating and novel intellectual property issues. As innovations in technology permit users to communicate and share content in new ways, courts are being forced to address these new modes of communicating. What follows is our Survey of some of the more significant intellectual property decisions of 2006 relating to the Internet.<sup>1</sup> These cases show us that intellectual property issues arising in cyberspace continue to evolve and mature.

In the trademark area, we continue to see the courts struggle when applying existing precedent and principles of statutory interpretation to new uses of trademarks not even imaginable until recently. We see in the “keyword” cases a split between the decisions of the federal courts in the Second Circuit and those in the rest of the country. Federal courts in New York in three decisions have determined that a company’s purchase of a competitor’s trademark as a “keyword” to trigger contextually relevant advertising about the company when the “keyword” is typed into a search engine is not an actionable “use” of that trademark.<sup>2</sup> On the other hand, the three courts outside of the Second Circuit that have addressed this issue have all gone the other way.<sup>3</sup> Two cases also remind us that in cyberspace,

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1. Space does not permit a comprehensive review of all such cases. Instead, this Survey highlights those cases that, in the opinion of a number of Committee on Cyberspace Law members, represent the most significant and interesting developments. This Survey primarily focuses on cases decided between January 1, 2006 and December 31, 2006, with some updates for subsequent history.

2. *FragranceNet.com, Inc. v. FragranceX.com, Inc.*, 493 F. Supp. 2d 545, 555 (E.D.N.Y. 2007); *Site Pro-1, Inc. v. Better Metal, LLC*, ---F. Supp. 2d---, No. 06-CV-6508 (ILG)(RER), 2007 WL 1385730, at \*2–5 (E.D.N.Y. May 9, 2007); *Merck & Co., Inc. v. Mediplan Health Consulting, Inc.*, 425 F. Supp. 2d 402, 415–16 (S.D.N.Y.), *reconsideration denied*, 431 F. Supp. 2d 425 (S.D.N.Y. 2006).

3. *J.G. Wentworth, S.S.C. Ltd. Pship v. Settlement Funding LLC*, Civil Action No. 06-0597, 2007 WL 30115, at \*6–8 (E.D. Pa. Jan. 4, 2007); *Buying for the Home, LLC v. Humble Abode, LLC*, 459 F. Supp. 2d 310, 320–22 (D.N.J. 2006); *Edina Realty, Inc. v. TheMLSOnline.com*, No. Civ. 04-

as well as in the physical world, it is very difficult to develop trademark rights in one's name.<sup>4</sup>

We also survey a number of decisions resolving domain name disputes arising under ICANN's Uniform Domain-Name Dispute-Resolution Policy ("UDRP"). In particular, we look at decisions involving acronyms,<sup>5</sup> internationalized domain names,<sup>6</sup> and the new practice of "cyberflying."<sup>7</sup>

Search engine functions, and the extent to which a user can control redistribution by search engines of content covered by copyright, both figure prominently in our Survey this year. Three courts deal with Google's liability when people use various functions to locate copyrighted content,<sup>8</sup> with Google prevailing in the two cases that have been resolved in the courts of appeals.<sup>9</sup>

We also see the courts struggling with determining what constitutes a "copy" of online works under the copyright laws. Courts in two cases<sup>10</sup> discuss whether the transmission of an intangible electronic file is a distribution of a "copy" for purposes of section 106(3) of Title 17 of the U.S. Code in the context of file sharing.<sup>11</sup>

The United States Supreme Court decided one patent case in 2006<sup>12</sup> that will have ramifications beyond cyberspace and beyond 2006. In that case, the Court struck down the U.S. Court of Appeals for the Federal Circuit's practice of automatically granting injunctive relief once patent infringement has been proven absent extraordinary circumstances.<sup>13</sup> Instead, the court instructed that the traditional "four-factor" test should be used when determining whether to issue an injunction in patent infringement cases and in intellectual property cases more generally.<sup>14</sup>

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4371JRTFLN, 2006 WL 737064, at \*3 (D. Minn. Mar. 20, 2006), *motion to amend denied*, Civil No. 04-4371 (JRI/FLN), 2006 WL 1314303 (D. Minn. May 11, 2006).

4. *Tillery v. Leonard & Sciolla, LLP*, 437 F. Supp. 2d 312, 321–22 (E.D. Pa. 2006) (holding that last name of plaintiff-lawyer, part of the domain name of defendant, was not likely a protectable mark because the name had no secondary meaning in intellectual property legal field); *Einhorn v. Mergatroyd Prods.*, 426 F. Supp. 2d 189, 194–95 (S.D.N.Y. 2006) (holding that defendant's use of plaintiff's last name in metatags on website was not unlawful because name was descriptive and had not acquired any secondary meaning).

5. *See infra* Part III.A.

6. *See infra* Part III.B.

7. *See infra* Part III.C.

8. *Parker v. Google, Inc.*, 422 F. Supp. 2d 492, 496–500 (E.D. Pa. 2006), *aff'd*, No. 06-3074, 2007 WL 1989660 (3d Cir. July 10, 2007); *Perfect 10 v. Google, Inc.*, 416 F. Supp. 2d 828 (C.D. Cal. 2006), *aff'd in part, rev'd in part, and remanded sub nom. Perfect 10, Inc. v. Amazon.com, Inc.*, 487 F.3d 701, 725, 728, 731, 734 (9th Cir. 2007) (finding for Google on plaintiff's claims against Google for direct infringement and vicarious liability, but remanding plaintiff's claims against Google for contributory infringement and Google's argument that its liability should be limited by title II of the Digital Millennium Copyright Act to the trial court); *Field v. Google Inc.*, 412 F. Supp. 2d 1106, 1115 (D. Nev. 2006).

9. *See id.*

10. *Arista Records LLC v. Greubel*, 453 F. Supp. 2d 961, 967–71 (N.D. Tex. 2006) (refusing to find that electronic distributions over computer networks can never infringe a copyright holder's exclusive distribution rights and therefore denying defendant's motion to dismiss); *Fonovisa, Inc. v. Alvarez*, No. 1:06-CV-011-C, slip op. at 5–6 (N.D. Tex. July 24, 2006) (denying defendant's motion to dismiss).

11. *See* 17 U.S.C. § 106(3) (2000 and Supp. V 2005).

12. *eBay Inc. v. MercExchange, L.L.C.*, 126 S. Ct. 1837 (2006).

13. *Id.* at 1840–41.

14. *See id.* *See also infra* notes 255–63 and accompanying text.

## II. TRADEMARK

The use of words, and in particular trademarks, in new ways in cyberspace continues to present novel legal issues. It is clear that one cannot use another's trademark to promote one's own goods or services.<sup>15</sup> However, if a company purchases a competitor's trademark as a "keyword" to "trigger" advertisements about the company's goods or services when the trademark is used in a search conducted on a popular search engine, the result is not so clear. Courts have also addressed whether an individual's name can be used in another company's domain name or in metatags on someone else's web site. In 2006, we saw the courts continuing to struggle with these new uses of trademarks.<sup>16</sup>

To date, federal courts have taken two distinct approaches with respect to the purchase of trademarks as "keywords." In three decisions, the federal district courts in the Second Circuit have held that a competitor's trademark has not been "used" for trademark infringement purposes when it has been purchased to trigger sponsored advertisements.<sup>17</sup> These courts have taken the "physical placement" approach in determining whether a particular use of a competitor's trademark is a "use" within the meaning of the Lanham Act.<sup>18</sup> Outside the Second Circuit, courts have taken a more flexible approach that emphasizes the underlying purposes of the Lanham Act, and in three cases have held that such purchases do constitute actionable trademark "use."<sup>19</sup>

The decision by the court in *Merck & Co., Inc. v. Mediplan Health Consulting, Inc.* illustrates the "physical placement" approach. In *Merck*, a group of Canadian companies ("defendants") running Internet pharmacies purchased the right

15. See Berkeley Lab, Patent Group, Trademark Law and Policy, <http://www.lbl.gov/Workplace/patent/trademark.html> (last visited Oct. 29, 2007).

16. Our 2005 Survey of the Law of Cyberspace noted that "[t]he cases involving keywords are not so clear. Trademark infringement claims may yet prevail, though at least one court has suggested the grounds for a successful infringement claim may be quite narrow." Candace M. Jones, *2005 Intellectual Property Law Survey*, 61 BUS. LAW. 447, 462 (2005).

17. *FragranceNet.com, Inc. v. FragranceX.com, Inc.*, 493 F. Supp. 2d 545, 555 (E.D.N.Y. 2007) (finding that defendant's purchase of plaintiff's trademark as a keyword in Google and its use of plaintiff's trademark as a metatag on its web site are not "uses" within the meaning of the Lanham Act); *Site Pro-1, Inc. v. Better Metal, LLC*, --- F. Supp. 2d ---, No. 06-CV-6508 (ILG)(RER), 2007 WL 1385730, at \*2-5 (E.D.N.Y. May 9, 2007) (holding that defendant's purchase of plaintiff's mark in a sponsored Yahoo search and defendant's use of the mark in its metatags did not constitute "use" of the mark in commerce); *Merck & Co., Inc. v. Mediplan Health Consulting, Inc.*, 425 F. Supp. 2d 402, 415-16 (S.D.N.Y.) (holding that defendants' purchase of the right to have their web sites displayed among the first results when the user enters ZOCOR, plaintiff's mark, in the Google or Yahoo search engines is not a "use" of plaintiff's mark actionable under the Lanham Act), *reconsideration denied*, 431 F. Supp. 2d 425 (S.D.N.Y. 2006). However, one New York federal district court found that such use of a keyword could be an actionable "use" if the result is a screen with plaintiff's trademark displayed next to the defendant's products. *Hamzik v. Zale Corp./Del.*, No. 3:06-cv-1300, 2007 WL 1174863, at \*2-4 (N.D.N.Y. Apr. 19, 2007) (finding the mere fact that defendant's web site generated a list of rings for sale when the user entered "dating rings" in web site search function did not indicate an actionable "use" of plaintiff's "The Dating Ring" trademark, but refusing to dismiss claim for use of keyword in search engines because use of keyword possibly produced trademark displayed next to defendant's products).

18. *FragranceNet.com, Inc.*, 493 F. Supp. 2d at 549-50, 552-53; *Site Pro-1*, 2007 WL 1385730, at \*4; *Merck*, 425 F. Supp. 2d at 415.

19. *J.G. Wentworth, S.S.C. Ltd. P'ship v. Settlement Funding LLC*, Civil Action No. 06-0597, 2007 WL 30115, at \*6-8 (E.D. Pa. Jan. 4, 2007) (finding defendant's use of plaintiff's mark in Google's

to have their web sites displayed among the first results returned, as sponsored links, whenever a computer user entered a query for the keyword "ZOCOR" (the trademark for plaintiff's anti-cholesterol drug) on the popular Google or Yahoo search engine web sites.<sup>20</sup> In response, plaintiff Merck & Co., Inc. ("Merck") filed trademark infringement claims under the Lanham Act,<sup>21</sup> alleging, among other things, that defendants' conduct in purchasing plaintiff's trademark as a "keyword" violated its exclusive right to use the ZOCOR mark in connection with its popular drugs.<sup>22</sup>

In addressing whether defendants' actions constituted "use" under the Lanham Act, the court first noted the statutory definitions of "used in commerce":

A trademark is "used in commerce" in connection with goods when "it is placed in any manner on the goods or their containers or the displays associated therewith or on the tags or labels affixed thereto, or if the nature of the goods makes such placement impracticable, then on documents associated with the goods or their sale, and . . . the goods are transported or sold in commerce." 15 U.S.C. § 1127(1). A mark is "used in commerce" in connection with services "when it is used or displayed in the sale or advertising of services and the services are rendered in commerce." 15 U.S.C. § 1127(2).<sup>23</sup>

In accepting defendants' argument that purchasing sponsored search rights to Merck's ZOCOR mark is not actionable "use" under the Lanham Act, the court stressed that defendants did not physically place the mark on any products, display it any manner, or use it to indicate product source or sponsorship.<sup>24</sup> Rather, the mark was only "used" in "the sense that a computer user's search of the keyword 'Zocor' will trigger the display of sponsored links to defendants' websites."<sup>25</sup> Since defendants' utilization of the ZOCOR mark communicated nothing about the product or services to the public, the court found such use "analogous to a[n] individual's private thoughts about a trademark."<sup>26</sup> The fact defendants legally sold Zocor on their web sites further convinced the court that purchasing the ZOCOR

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AdWords program and in metatags on its web site did constitute actionable "use" under the Lanham Act; concluding, however, that there was no likelihood of confusion and therefore no trademark infringement); *Buying for the Home, LLC v. Humble Abode, LLC*, 459 F. Supp. 2d 310, 320–22 (D.N.J. 2006) (holding that defendant's use of plaintiff's mark Total Bedroom was a "use in commerce" under the Lanham Act inasmuch as a link to defendant's web site appeared when user typed plaintiff's mark into Google search engine); *Edina Realty, Inc. v. TheMLSOnline.com*, No. Civ. 04-4371JRT/FLN, 2006 WL 737064, at \*3 (D. Minn. Mar. 20, 2006) (finding that defendant's purchase of plaintiff's Edna Realty mark as a keyword to generate links to defendant's web site when keyword was entered into search engine was unconventional, but nevertheless a "use in commerce" of plaintiff's mark), *motion to amend denied*, Civil No. 04-4371 (JRT/FLN), 2006 WL 1314303 (D. Minn. May 11, 2006).

20. *Merck*, 425 F. Supp. 2d. at 407–08. Defendants sold generic versions of Zocor as well as a version of Zocor manufactured by Merck's Canadian affiliates. *Id.* at 407.

21. See Trademark Act of 1946, Pub. L. No. 78-489, § 43(a), 60 Stat. 427, 441 (codified as amended at 15 U.S.C. § 1125(a) (2000)) [hereinafter "Lanham Act"].

22. *Merck*, 425 F. Supp. 2d at 408–09, 415.

23. *Id.* at 415 (alteration in original).

24. *Id.*

25. *Id.*

26. *Id.* (quoting *1-800 Contacts, Inc. v. WhenU.com, Inc.*, 414 F.3d 400, 409 (2d Cir.), *cert. denied*, 546 U.S. 1033 (2005)) (alteration in original).

mark to obtain sponsored search results is not “use” under the Lanham Act, and as such, “is not an independent basis for a trademark infringement claim.”<sup>27</sup>

In later reconsidering its decision, the court likened defendants’ purchase of the ZOCOR mark as a keyword on Internet search engines to the product placement marketing strategy employed in retail stores where stores place their generic products near national name brands, characterizing the former as “the electronic equivalent” of the latter.<sup>28</sup> While defendants’ use might be commercial use in a general sense, the court again concluded that it is not “use” within the meaning of the applicable provisions of the Lanham Act and thus is not actionable.<sup>29</sup>

The district court in *Merck* relied on the Second Circuit’s 2005 decision in *1-800 Contacts, Inc. v. WhenU.com, Inc.*<sup>30</sup> The trademark infringement dispute in *1-800 Contacts* involved defendant WhenU.com and its “SaveNow” software, which provided users with a series of contextually relevant pop-up advertisement windows based on their computing activities.<sup>31</sup> To provide those pop-up windows, WhenU.com created a complex internal directory which utilized some 32,200 web site addresses and address fragments, 29,000 search terms, and 1,200 keyword algorithms.<sup>32</sup> The directory included 1-800 Contacts’ web site address, 1800contacts.com, but WhenU.com did not display the trademarks of 1-800 Contacts or cause them to be displayed.<sup>33</sup> Rather, when some computer users entered the 1800contacts.com web address, they possibly received a pop-up advertisement for a competitor.<sup>34</sup> In its infringement claim, 1-800 Contacts alleged that WhenU.com’s use of the directory and pop-up advertisements violated the Lanham Act.<sup>35</sup> The court, however, disagreed:

We hold that, as a matter of law, WhenU does not “use” 1-800’s trademarks within the meaning of the Lanham Act, 15 U.S.C. § 1127, when it (1) includes 1-800’s web site address, which is almost identical to 1-800’s trademark, in an unpublished directory of terms that trigger delivery of WhenU’s contextually relevant advertising to [computer users]; or (2) causes separate, branded pop-up ads to appear on a [computer user’s] computer screen either above, below, or along the bottom edge of the 1-800 web site window.<sup>36</sup>

Other district courts in the Second Circuit have followed the *Merck* “physical placement” approach, reiterating and refining the *Merck* court’s holding in the search engine “keyword” context, and extending it to the use of a competitor’s

27. *Merck*, 425 F. Supp. 2d at 416.

28. *Merck*, 431 F. Supp. 2d at 427.

29. *Id.* The court also found no meaningful distinction between the “keyword” situation in *Merck* and the “pop-up” situation addressed in *1-800 Contacts*. *Id.* at 427–28.

30. See *1-800 Contacts*, 414 F.3d 400. *1-800 Contacts* was discussed in our 2005 Survey, Jones, *supra* note 16, at 460–62.

31. *1-800 Contacts*, 414 F.3d at 404.

32. *Id.*

33. *Id.* at 408–09.

34. *Id.* at 404–05.

35. *Id.* at 405.

36. *Id.* at 403.

trademarks in metadata and metatags as well.<sup>37</sup> These courts ask “whether the defendant placed plaintiff’s trademark on any goods, displays, containers, or advertisements, or used plaintiff’s trademark in any way that indicates source or origin.”<sup>38</sup> These courts’ decisions make clear that if the threshold “use” question is answered in the negative, a plaintiff’s trademark infringement claim in the Second Circuit will fail.

Courts in other circuits facing similar keyword and metatag “use” situations have rejected the *Merck* “physical placement” approach in favor of a flexible one that places more emphasis on the underlying purposes of the Lanham Act.<sup>39</sup> In *Edina Realty, Inc. v. TheMLSonline.com*,<sup>40</sup> the Minnesota district court rejected defendant’s argument that its practice of purchasing a competitor’s trademarks as search terms was not a “use [of those trademarks] in commerce.”<sup>41</sup> The court noted that defendant, while not making a conventional use in commerce, nevertheless made commercial use of the mark in purchasing search terms to generate advertisements with its web site featured as the sponsored link.<sup>42</sup> Further, unlike the *Merck* court, the *Edina Realty* court accepted the argument that an Internet user’s search is a sufficient “display” of the mark, concluding “[b]ased on the plain meaning of the Lanham Act, the purchase of search terms is a use in commerce.”<sup>43</sup>

The United States District Court for the Eastern District of Pennsylvania expanded on the *Edina Realty* court’s summary disposition of the “use” question in *J.G. Wentworth, S.S.C. Limited Partnership v. Settlement Funding, LLC*.<sup>44</sup> In another case in which the court considered allegations of trademark infringement based on defendant’s use of the plaintiff’s mark in metatags and defendant’s purchase of keywords for sponsored search results, the *J.G. Wentworth* court went the furthest in addressing and distinguishing the Second Circuit approach.<sup>45</sup> The court first noted

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37. See, e.g., *FragranceNet.com, Inc.*, 493 F. Supp. 2d at 554–55 (finding no “use” in keyword and metatag context; noting that courts outside the Second Circuit have conflated the issues of actionable “use” and “likelihood of confusion”); *Site Pro-1*, 2007 WL 1385730, at \*4 (holding plaintiff’s claim must fail because plaintiff did not allege that “defendant places plaintiff’s trademark on any goods, containers, displays, or advertisements, or that its internal use is visible to the public”); but see *Hamzik*, 2007 WL 1174863, at \*3–4 (finding no “use” when plaintiff’s marks used on defendant’s internal web site, but holding that a question of fact exists as to whether plaintiff’s mark appears next to defendant’s goods on screen triggered by user entering plaintiff’s mark into search engines and, if they do appear together, a question of law exists as to whether defendant’s practice of buying “keywords” from Internet search engine is actionable).

38. See *Site Pro-1*, 2007 WL 1385730, at \*4.

39. *FragranceNet.com, Inc.*, 493 F. Supp. 2d at 551–54; *Site Pro-1*, 2007 WL 1385730, at \*4–5; *Merck*, 425 F. Supp. 2d at 415–16.

40. *Edina Realty*, 2006 WL 737064.

41. *Id.* at \*3.

42. *Id.*

43. *Id.*

44. *J.G. Wentworth*, 2007 WL 30115. In *Buying for the Home*, 459 F. Supp. 2d at 323, once again in the “keyword” context, the court remarked, “not only was the alleged use of Plaintiff’s mark tied to the promotion of Defendant’s goods and retail services, but the mark was used to provide a computer user with direct access (i.e., a link) to Defendant’s web site through which the user could make furniture purchases. The Court finds that these allegations clearly satisfy the Lanham Act’s ‘use’ requirement.” Note that plaintiff’s allegations are virtually identical to those made in *Merck*. See *supra* notes 20–29 and accompanying text.

45. *J.G. Wentworth*, 2007 WL 30115, at \*4–6.

that the issue of keyword use was one of first impression in the Third Circuit.<sup>46</sup> The court also expressed its agreement with the decision in *Buying for the Home, LLC v. Humble Abode, LLC*, in which the court underscored the fact that relatively new technology was at issue.<sup>47</sup>

Despite not being bound by the Second Circuit's holding in *1-800 Contacts*, the *J.G. Wentworth* court sought to distinguish the *1-800 Contacts* decision, reasoning that, unlike the case before it, the underlying conduct in *1-800 Contacts* did not involve the defendant's purchase of specified keywords.<sup>48</sup> Rather, the *1-800 Contacts* case involved a company's internal utilization of another's mark in its private directory.<sup>49</sup> Further, the *J.G. Wentworth* court found "a distinction between use of a public domain address in defendant's database," as in *1-800 Contacts*, and "the use of the trademark itself" via wholesale inclusion of "J.G. Wentworth" and "JG Wentworth" in a search database, as in the case before it.<sup>50</sup> The court flatly rejected defendant's reliance on the "physical placement" arguments that had prevailed in the Second Circuit, noting that defendant's purposeful utilization of plaintiff's marks to acquire increased advertising is the type of use against which the Lanham Act seeks to protect.<sup>51</sup> Similarly, it found unavailing the notion accepted in the Second Circuit cases that no actionable "use" occurs when potential customers are unable to see the marks in question.<sup>52</sup> The court concluded succinctly: "[b]y establishing an opportunity to reach consumers via alleged purchase and/or use of a protected trademark [via its purchase of keywords and metatags], defendant has crossed the line from internal use to use in commerce under the Lanham Act."<sup>53</sup>

The two lines of decisions seem irreconcilable. The Second Circuit's "physical placement" approach to "use" requires the alleged infringer to place the trademark on a product or advertisement, or use the mark in a source identifying manner in order to fall under the reach of the Lanham Act. The approach followed in the other circuits looks more to the commercial nature of the transaction, finding "use" if defendant trades on the value of plaintiff's mark or utilizes the mark to direct business to itself. What is most problematic with this dichotomy is that the cases have emanated from virtually identical sets of facts. As such, it looks as if we

46. *Id.* at \*4 (citing *Buying for the Home*, 459 F. Supp. 2d at 322).

47. *Id.* at \*4–5 (citing *Buying for the Home*, 459 F. Supp. 2d at 321–23).

48. *Id.* at \*5 (citing *1-800 Contacts*, 414 F.3d at 411 ("[Defendant] does not 'sell' keyword trademarks to its customers or otherwise manipulate which category-related advertisement will pop up in response to any particular terms on the internal directory.")).

49. *Id.*

50. *See id.* at \*5 (citing *1-800 Contacts*, 414 F.3d at 408–09 ("We conclude that . . . the differences between the marks are quite significant because they transform 1-800's trademark—which is entitled to protection under the Lanham Act—into a word combination that functions more or less like a public key to 1-800's web site. . . . [T]o capitalize on the fame and recognition of 1-800's trademark . . . [defendant] would have needed to put the actual trademark on the list.")).

51. *Id.* at \*6. The court noted the Lanham Act "makes it a violation to use 'in commerce' protected marks 'in connection with the sale, offering for sale, distribution, or advertising of any goods or services,' or 'in connection with any goods or services . . .'" *Id.* (quoting Lanham Act, *supra* note 21, §§ 32(1), 43(a)(1), 60 Stat. at 437–38, 441 (codified as amended at 15 U.S.C. §§ 1114, 1125(a)(1) (2000))).

52. *Id.*

53. *Id.*

will have to wait for more appellate guidance to clear up the state of the law in this area of “keyword trademark use.”

One of the elements that a plaintiff must demonstrate in order to prove federal trademark infringement is that it has a valid and legally protectable mark.<sup>54</sup> Not all uses of a mark result in trademark rights. Two cases, *Tillery v. Leonard & Sciolla, LLP*<sup>55</sup> and *Einhorn v. Mergatroyd Productions*,<sup>56</sup> illustrate the difficulty in establishing secondary meaning that individuals have when trying to protect their names from use by third parties under trademark and similar laws.

*Tillery* features the common practice of using the name of a senior partner in the name of a law firm and in its domain name. The plaintiff was a named partner in a law firm. In July 1998, the firm registered the Internet domain name “leonardtillery.com,” published a web site at the Internet address leonardtillery.com, and provided its employees with e-mail addresses ending with “@leonardtillery.com.” After Mr. Tillery resigned from the firm in 2005, the firm changed its name, advised the staff that it was impermissible to use the old logo, letterhead, and labels, created new letterhead and new business cards, advertised the change of name, and sent notices announcing the new firm name to clients.<sup>57</sup> The firm also registered a new domain name without Mr. Tillery’s name, made its web site accessible through the new domain name, and changed its employees’ e-mail addresses to reflect the new domain name.<sup>58</sup> The web site itself was edited “to reflect the new [f]irm logo and name” and “to eliminate the link to Tillery’s photograph and biography.”<sup>59</sup> The firm did not cancel the registration of its old domain name, but anyone who used the old domain name was “seamlessly directed” to the firm’s new web site.<sup>60</sup> The firm also retained the e-mail addresses ending “@leonardtillery.com” and directed any mail sent to those addresses (except for Mr. Tillery’s mail) to the corresponding e-mail accounts with the new domain name. However, all outgoing mail was sent from addresses reflecting the new domain name.<sup>61</sup>

After repeated demands that the firm stop using the old domain name were ignored, Mr. Tillery brought an action against the firm,<sup>62</sup> alleging its continued use of the domain name containing his name violated federal unfair competition and false advertising laws,<sup>63</sup> the federal Anticybersquatting Consumer Protection

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54. See, e.g., *Tillery v. Leonard & Sciolla, LLP*, 437 F. Supp. 2d 312, 320 (E.D. Pa. 2006). See also CHARLES E. MCKENNEY & GEORGE F. LONG, III, *FEDERAL UNFAIR COMPETITION: LANHAM ACT § 43(a) § 3:1* (2007) (“Needless to say, plaintiff must have some protectable right in a mark to prevail.”).

55. *Tillery*, 437 F. Supp. 2d at 321–22.

56. 426 F. Supp. 2d 189, 194–95 (S.D.N.Y. 2006).

57. *Tillery*, 437 F. Supp. 2d at 318.

58. *Id.* at 318–19.

59. *Id.* at 319.

60. *Id.*

61. *Id.* at 318–19.

62. See *id.* at 317–19.

63. See Lanham Act, *supra* note 21, § 43(a)(1), 60 Stat. at 441 (codified as amended at 15 U.S.C. § 1125(a)(1) (2000)).

Act ("ACPA"),<sup>64</sup> and a Pennsylvania statute prohibiting unauthorized use of one's name or likeness.<sup>65</sup>

Tillery's motion to enjoin the continued use of the old domain name was denied.<sup>66</sup> Although he used his last name all his life, there was no evidence "that it was ever used in connection with a business or product except as part of the name of law firms with which he was associated . . . ."<sup>67</sup> While he "ha[d] been associated with a law firm for the vast majority of his professional career," "he had not published [any] legal manuals, model pleadings, or any other products bearing his name as a mark separately from a firm's name . . . ."<sup>68</sup> The court expressed a concern that "recognizing individual lawyers' names as trademarks without a strong showing of secondary meaning could hinder the creation of new law firms (since, unlike other businesses, law firms are traditionally identified by personal names and not fanciful trade names) and the ability of individuals to practice law in their chosen fields without changing their names."<sup>69</sup> The court concluded that Mr. Tillery was unlikely to establish any "secondary meaning" in his own name and therefore unlikely to show that he had developed any trademark rights in his name.<sup>70</sup>

A similar result was reached in *Einhorn v. Mergatroyd Productions*<sup>71</sup> in the context of an off-off-Broadway play. Here, a director was offered \$1,000 "to create blocking and choreography" for an off-off-Broadway play, scheduled to run for eight performances. The play ran for the eight performances and used the blocking and choreography. The producers of the play also posted a full-length performance of the show on the play's web site and placed metatags using the director's name on the web site.<sup>72</sup> When the director was terminated on the day before the scheduled opening and not paid, he brought suit on a number of claims, including copyright infringement, breach of contract, violations of section 43(c)(1) of

64. See Anticybersquatting Consumer Protection Act, Pub. L. No. 106-113, § 3002(a), 113 Stat. 1501A-545 (1999) (codified at 15 U.S.C. § 1125(d) (2000)) [hereinafter "ACPA"]. The ACPA makes it illegal "for a person to register or to use with the 'bad faith' intent to profit from an Internet domain name that 'is identical or confusingly similar' to the distinctive or famous trademark or Internet domain name of another person or company." *Shields v. Zuccarini*, 254 F.3d 476, 481 (3d Cir. 2001) (quoting ACPA, § 3002(a), 113 Stat. at 1501A-545 (codified at 15 U.S.C. § 1125(d) (2000))).

65. See 42 PA. CONS. STAT. ANN. § 8316 (2004) (prohibiting the unauthorized use for commercial purposes of a commercially valuable name or likeness).

66. *Tillery*, 437 F. Supp. 2d at 330.

67. *Id.* at 321.

68. *Id.*

69. *Id.* at 322.

70. *Id.* The court distinguished a case involving an investment advisor who had been found to have established secondary meaning in his name. The investment advisor had "published a well-known semi-monthly newsletter, a monthly audio cassette investment advisory service, and an on-line mutual fund tracking and analysis service, all under his name, [had] written ten books on investment advice, given a large number of seminars, frequently appeared on television shows, and was a nationally-syndicated financial columnist." *Id.* (citing *Donoghue v. IBC/USA (Publ'ns), Inc.*, 886 F. Supp. 947, 948-49, 953 (D. Mass. 1995)).

71. 426 F. Supp. 2d 189.

72. *Id.* at 192. The court referred to this practice as "metastuffing," noting that it resulted in Internet search engines directing users who entered the director's name in search engine requests to the defendants' web sites. *Id.*

the Lanham Act<sup>73</sup> and section 349 of the New York State General Business Law,<sup>74</sup> and common law misappropriation.<sup>75</sup>

The director's claim, that the producers' use of his name on metatags associated with the web site violated section 43(c)(1) of the Lanham Act and section 349 of the New York State General Business Law, failed because the court found that he had not used his name as a trademark.<sup>76</sup> Similarly, the state law misappropriation claim failed because the director did not allege that he had suffered any "direct, non-derivative" injury as a result of the use of his name in the metatags—he only alleged that users who entered his name in search engines were directed to defendants' web sites.<sup>77</sup>

The "keyword" cases remind us that in cyberspace, just as in the physical world, not all uses of trademarks and personal names by others are actionable. There is a consensus in the Second Circuit that uses of a trademark that are not seen by the public, or do not serve as representations about or advertisements for the alleged infringer's own goods and services, are not actionable "uses" of a trademark under the Lanham Act. Whether this is an unstated notion of "fair use" in the trademark context, or simply a limitation of e-trademark claims to where goods and services are advertised with a competitor's mark, remains to be delineated in future decisions. *Einhorn* and *Tillery* remind us that it is difficult to create trademark rights in a personal name on the Internet, just as it is in the physical world. One who feels offended if his or her name is used by someone else on the Internet may be better off pursuing claims under the ACPA<sup>78</sup> or state domain name laws<sup>79</sup> than under trademark law.

### III. DOMAIN NAMES

Disputes resolved under ICANN's<sup>80</sup> Uniform Domain-Name Dispute-Resolution Policy ("UDRP" or "Policy")<sup>81</sup> may be subcategorized in seemingly endless ways.

73. See Lanham Act, *supra* note 21, § 43(a)(1), 60 Stat. at 441 (codified as amended at 15 U.S.C. § 1125(a)(1) (2000)).

74. See N.Y. GEN. BUS. LAW § 349 (McKinney 2004).

75. See *Einhorn*, 426 F. Supp. 2d at 192–93.

76. *Id.* at 195.

77. *Id.*

78. One section of the ACPA, not codified in Title 15, creates a civil cause of action for the unauthorized registration of a domain name that is the same or confusingly similar to the name of another living person if done without that person's consent and with the intent to profit from the domain name by selling it for financial gain, either to such person or to a third party. See ACPA, *supra* note 64, § 3002(b)(1)(A), 113 Stat at 1501A–545A.

79. For example, California has a law that makes it "unlawful for a person, with a bad faith intent, to register, traffic in, or use a domain name that is identical or confusingly similar to the personal name of another living person or deceased personality . . ." See CAL. BUS. & PROF. CODE § 17525(a) (Deering 2003). Similarly, the New York General Assembly, recognizing the difficulty that individuals have in preventing their names from being used in domain names, recently adopted a law prohibiting a person from registering a domain name that is similar or the same as the name of an individual or a business, without the other party's consent; the law will go into effect on December 1, 2007. See Press Release, Sen. Elizabeth O'C. Little, Little's Domain Name Law Signed (Aug. 7, 2007), [http://senatorlittle.com/press\\_archive\\_story.asp?id=17598](http://senatorlittle.com/press_archive_story.asp?id=17598).

80. ICANN is the Internet Corporation for Assigned Names and Numbers.

81. A copy of the UDRP is found at ICANN, Uniform Domain-Name Dispute-Resolution Policy, <http://www.icann.org/udrp/udrp.htm> (last visited Oct. 1, 2007).

We focus on the following three categories of cases for their particular interest to intellectual property practitioners: (A) Acronyms, (B) Internationalized Domain Names, and (C) Cyberflying.

### A. ACRONYMS

Some of the most contentious domain name dispute cases in 2006 involved acronyms. Often acronyms, particularly the two- and three-letter variety, can be used to describe a variety of enterprises. For instance, the letters “ABA” stand for, among other things: American Bar Association, American Banking Association, and American Booksellers Association.<sup>82</sup> Some individuals and entities have registered numerous domain names containing acronyms as a business opportunity without necessarily having the intention of selling them to a particular (trademark-holding) party.<sup>83</sup> One popular online domain name magazine maintains a list of the domain names fetching the highest prices in a given year.<sup>84</sup> In 2006, the top 100 list contained eighteen two- and three-letter domain names with the potential to be acronyms and which sold for at least five figures each.<sup>85</sup>

Panels rendering decisions under the UDRP have been reluctant to transfer disputed domain names involving acronyms, finding that many respondents have plausible and compelling defenses. In the two cases we survey involving two-letter acronyms, panels in both chose not to transfer the domain names.<sup>86</sup> In the acronym cases we survey in which a complainant filed a complaint under the UDRP against a respondent who contested the complaint, seven panels found for respondents while eight opted to transfer the domain names to the complainants.<sup>87</sup> Overall, panels set a very high bar for complainants to prevail in cases involving acronyms.

In four-letter domain name cases, panels frequently find for the complainants, possibly because the more letters there are, the more likely it is a particular letter combination has become associated with the complainant or has become a trademark. A panel found for the complainant in *University of Houston System v. Salvia Corp.*, a dispute over the <kuhf.com> domain name, which represented the call letters of a radio station run by the complainant.<sup>88</sup> America Online won a dispute over the <baol.us> domain name despite the respondent’s contention that it operated a business called Blackamerica Online, Inc. in *America Online*,

82. A search of the Internet for “ABA” on October 1, 2007 using the Google search engine (<http://www.google.com>) revealed at least eighteen different uses of the letters “ABA” as an acronym in the first five pages of results.

83. One domain name acronym that sold for a significant profit was <bds.com>. John Stuart, *Domain Auctions*, Xbiz, May 7, 2007, <http://www.xbiz.com/articles/22876>.

84. DN Journal, YTD Sales Charts, <http://www.dnjournal.com/ytd-sales-charts.htm> (last visited Oct. 31, 2007).

85. *See id.*

86. *See infra* notes 116–23.

87. *See infra* notes 88–123.

88. National Arbitration Forum (“NAF”) Claim No. FA0602000637920 (Sandra J. Franklin Mar. 21, 2006), <http://domains.adrforum.com/domains/decisions/637920.htm>.

*Inc. v. Ragland*.<sup>89</sup> The same respondent was involved in *Association of Texas Professional Educators, Inc. v. Salvia Corp.*,<sup>90</sup> where the panel transferred the <atpe.com> domain name to the complainant, who had used the ATPE trademark for over twenty-five years in connection with a non-profit educational association in Texas. Grand Valley State University prevailed in a dispute over the <gvsu.com> domain name as well.<sup>91</sup> In each of these cases, the panels found that the respondent knew of the mark and either attempted to mimic the complainant's web site or use the complainant's mark on the web site linked to the domain name, or very likely knew of complainant's mark and intended to sell it to the complainant for profit.

Where the respondent defaulted, panels ordered the transfer of four-letter domain names to the complainant, including the <saic.ws>,<sup>92</sup> <uesp.com>,<sup>93</sup> <wunr.com>,<sup>94</sup> <wamx.com>,<sup>95</sup> and <aswb.com><sup>96</sup> domain names.

On the other hand, the panel declined to transfer the <usfa.com> domain name to the complainant in *United States Fire Arms Manufacturing Co. v. Salvia Corp.*,<sup>97</sup> pointing out that as a four-letter mark USFA had very little inherent distinctiveness, and that the complainant failed to satisfy its burden of providing evidence demonstrating that the mark had become highly distinctive through use in commerce. The respondent further highlighted that it operated a dating services web site at the disputed domain name and that at least seventeen other entities utilized the USFA mark in commerce.<sup>98</sup> The panel in *Hydrologic Services, Inc. v. Name Delegation*<sup>99</sup> declined to find that the respondent registered and used the <hysr.com> domain name in bad faith because of the brevity of the disputed domain name, the obscurity of the mark, and the geographic location of the respondent with respect to the complainant. In a dispute over the <wsop.com> domain name, the complainant, who held a U.S. Patent and Trademark Office ("USPTO") registration for the WORLD SERIES OF POKER mark, did not prevail as the panel

89. NAF Claim No. FA0602000639002 (Mark McMormick Mar. 21, 2006), <http://domains.adrforum.com/domains/decisions/639002.htm>.

90. NAF Claim No. FA0604000685104 (Clive Elliott May 31, 2006), <http://domains.adrforum.com/domains/decisions/685104.htm>.

91. *Grand Valley State Univ. v. SIA Bonus*, WIPO Arbitration and Media Center ("WIPO") Case No. D2006-0474 (Tony Willoughby June 6, 2006), <http://www.wipo.int/amc/en/domains/decisions/html/2006/d2006-0474.html>.

92. *Sci. Applications Int'l Corp. v. Mack*, NAF Claim No. FA0609000806680 (Hon. Charles K. McCotter, Jr. Nov. 8, 2006), <http://domains.adrforum.com/domains/decisions/806680.htm>.

93. *Utah Higher Educ. Assistance Auth. v. JIT Ltd.*, WIPO Case No. D2006-0091 (James A. Barker Mar. 21, 2006), <http://www.wipo.int/amc/en/domains/decisions/html/2006/d2006-0091.html>.

94. *Champion Broad. Sys. v. Nokta Internet Techs.*, WIPO Case No. D2006-0128 (Steven Auvil Mar. 29, 2006), <http://www.wipo.int/amc/en/domains/decisions/html/2006/d2006-0128.html>.

95. *Capstar Radio Operating Co. v. Namia Ltd.*, NAF Claim No. FA0606000724378 (Houston Putnam Lowry July 19, 2006), <http://domains.adrforum.com/domains/decisions/724378.htm>.

96. *Ass'n of Soc. Work Bds. v. Domain Adm'r*, NAF Claim No. FA0607000746922 (Judge Harold Kalina Aug. 22, 2006), <http://domains.adrforum.com/domains/decisions/746922.htm>.

97. NAF Claim No. FA0512000612350 (Robert A. Fashler Feb. 1, 2006), <http://domains.adrforum.com/domains/decisions/612350.htm>.

98. *Id.*

99. NAF Claim No. FA0605000707617 (Hon. Charles K. McCotter, Jr. July 12, 2006), <http://domains.adrforum.com/domains/decisions/707617.htm>.

dismissed the case without prejudice because of a pending USPTO proceeding involving the domain name at issue.<sup>100</sup>

Several three-letter domain name cases were decided in 2006, including a dispute over the <mbf.com> domain name.<sup>101</sup> The complainant, DaimlerChrysler, used MBF as an abbreviated form of its registered MERCEDES-BENZ FINANCE mark.<sup>102</sup> Given the credibility of the evidence submitted by the complainant, the panel concluded that DaimlerChrysler, notwithstanding its failure to register MBF, had acquired common law rights in the mark.<sup>103</sup> In *World Education Services, Inc. v. Lee*,<sup>104</sup> the complainant prevailed over the respondent in a dispute over the <wes.com> domain name because the complainant held trademark registrations for the WES mark and design, and the letter mark WES was an independent element from the design of the mark. Additionally, the panel in *National Rifle Association of America v. Future Media Architects, Inc.*<sup>105</sup> transferred the <nra.net> domain name to the complainant because the respondent lacked rights or legitimate interests in the domain name at issue in operating a web site featuring sponsored links to third-party web sites. The panel found that the NRA mark was well-known, distinctive, non-descriptive, and non-generic.<sup>106</sup> The panel further found that the respondent either knew or should have constructively known of the mark in light of the complainant's numerous registrations of the mark, and therefore concluded that the respondent's registration and use of the mark was in bad faith.<sup>107</sup>

Respondents did prevail in several three-letter domain name cases, including in *This Old House Ventures, Inc. v. Telepathy, Inc.*<sup>108</sup> over the domain name <toh.com>, where the panel stated, "an abbreviation of a mark, and particularly an unregistered abbreviation, does not necessarily itself become a mark protectable under the Policy."<sup>109</sup> The panel added that it was not enough for the complainant to establish rights in the TOH mark; the complainant also had to demonstrate that those rights predated the registration of the disputed domain name.<sup>110</sup> The respondent registered the disputed domain name in 1998.<sup>111</sup> The panel found that the complainant did not provide any evidence of extensive and distinctive use of the TOH mark before the respondent's registration, and thus it lacked rights in the

100. Harrah's License Co., LLC v. Schiavio, NAF Claim No. FA0605000720792 (Hon. James A. Carmody, Hon. Ralph Yachnin, Paul M. DeCicco Aug. 22, 2006), <http://domains.adrforum.com/domains/decisions/720792.htm>.

101. DaimlerChrysler AG v. 3v Networks, WIPO Case No. D2006-0450 (Ik-Hyen Seo June 12, 2006), <http://www.wipo.int/amc/en/domains/decisions/html/2006/d2006-0450.html>.

102. *Id.*

103. *Id.*

104. NAF Claim No. FA0606000738148 (Ho-Hyun Nahm Aug. 23, 2006), <http://domains.adrforum.com/domains/decisions/738148.htm>.

105. NAF Claim No. FA0608000781430 (Steven L. Schwartz Oct. 13, 2006), <http://domains.adrforum.com/domains/decisions/781430.htm>.

106. *Id.*

107. *Id.*

108. NAF Claim No. FA0602000651060 (Terry F. Peppard Apr. 19, 2006), <http://domains.adrforum.com/domains/decisions/651060.htm>.

109. *Id.*

110. *Id.*

111. *Id.*

TOH mark pursuant to Policy ¶ 4(a)(i).<sup>112</sup> The respondent also won in *ACT'L SA v. WebQuest.com Inc.*,<sup>113</sup> a dispute over the <ewon.com> domain name. The panel ruled that respondent had rights and legitimate interests in the domain name because it consisted of an abbreviation for electronic, the letter “e,” and the common word “won.”<sup>114</sup> In *Bonus.com, Inc. v. FYI Networks, Inc.*,<sup>115</sup> the panel declined to transfer the <fyi.com> domain name to the complainant because it had not registered the FYI mark with the USPTO until two years after the respondent had registered the disputed domain name.

Two-letter domain names are rare and expensive, due mainly to the limited supply. In 2006, two complainants chose to attempt to obtain transfer of a two-letter domain name. In both cases, panels declined to transfer them to the complainants. In *H5 Technologies, Inc. v. IQManagement Corp.*,<sup>116</sup> the panel did not transfer the <h5.com> domain name to the complainant because the complainant did not provide evidence of any valid trademark registration. While noting that common law rights are sufficient for purposes of the Policy, the panel found that the evidence presented by the complainant was insufficient to establish that the complainant had common law rights in the H5 mark.<sup>117</sup> The panel noted that the respondent’s assertion of rights was somewhat unique in that the respondent contended that it was an eBay affiliate attempting to auction domain names.<sup>118</sup> Nevertheless, the panel found that the complainant failed to meet its burden of establishing rights pursuant to Policy ¶ 4(a)(i), and therefore it denied the complainant relief under the Policy.<sup>119</sup>

In the other two-letter domain name case we survey from 2006, Louis Vuitton Malletier S.A. did not win a dispute over the <lv.com> domain name.<sup>120</sup> The respondent, Manifest Information Services, had previously used the domain name as a host for several Las Vegas businesses.<sup>121</sup> The panel found that there was no evidence that the respondent registered and used the disputed domain name to prevent the complainant from using its LV trademark and that the respondent’s business did not disrupt the complainant’s business.<sup>122</sup> The panel thus declined to transfer the <lv.com> domain name from the respondent to the complainant.<sup>123</sup>

112. *Id.*

113. WIPO Case No. D2006-0554 (Clive Duncan Thorne July 10, 2006), <http://www.wipo.int/amc/en/domains/decisions/html/2006/d2006-0554.html>.

114. *Id.*

115. NAF Claim No. FA0610000827739 (Estella S. Gold, Hon. Carolyn M. Johnson, David E. Sorkin Dec. 12, 2006), <http://domains.adrforum.com/domains/decisions/827739.htm>.

116. NAF Claim No. FA0603000652832 (R. Glen Ayres, Jr., Hon. Carolyn Marks Johnson, M. Kelly Tillery April 21, 2006), <http://domains.adrforum.com/domains/decisions/652832.htm>.

117. *Id.*

118. *Id.*

119. *Id.*

120. *Louis Vuitton Malletier S.A. v. Manifest Info. Servs.*, NAF Claim No. FA0609000796276 (Calvin A. Hamilton, Hon. Tyrus R. Atkinson, Jr., G. Gervaise Davis III Nov. 7, 2006), <http://domains.adrforum.com/domains/decisions/796276.htm>.

121. *Id.*

122. *Id.*

123. *Id.*

## B. INTERNATIONALIZED DOMAIN NAMES

In the last two years, people in countries whose languages use non-ASCII<sup>124</sup> character sets have registered domain names containing those non-standard characters. In 2006, there were several cases about rights to those domain names filed under the UDRP.

The panel in *Württembergische Versicherung AG v. Ulu*<sup>125</sup> found that the respondent's domain name, <xn--wrttembergische-versicherung-16c.com>, was equivalent to <württembergische-versicherung.com> because of the I-nav software's<sup>126</sup> translation of the German letter "ü." Furthermore, in ordering the respondent to transfer the domain name to the complainant, the panel noted the similarities between "versicherung" in the disputed domain name, meaning "insurance," and its plural form, "versicherungen," which appeared in the complainant's trademarks and service marks.<sup>127</sup>

In *Fujitsu Ltd. v. Li*,<sup>128</sup> the panel found that the domain name was an exact reproduction of Fujitsu's trademark with the suffix ".com" added to it. The panel rejected the respondent's contention that the kanji form of "Fujitsu" was generic and not famous in China, unlike the "Fujitsu" trademark.<sup>129</sup> Once the panel determined that Fujitsu did have rights in its Chinese kanji trademark based on its extensive use of the name, it delineated three elements of similarity to be used in analyzing the resemblance between the kanji trademark and the domain name—visual, aural, and conceptual similarity.<sup>130</sup> Further, the panel noted that any degree of similarity was to be determined by an "average consumer" standard, meaning the "Internet user seeking to purchase or download the Complainant[s] electronic products and services."<sup>131</sup> Applying this standard, the panel found that the average consumer with knowledge of the Chinese language would recognize the domain name as equivalent to "Fujitsu."<sup>132</sup> The panel then found that respondent's domain name duplicated Fujitsu's Chinese kanji trademark and satisfied the identical or confusingly similar requirement of the UDRP.<sup>133</sup> The panel ordered the respondent to transfer the disputed domain name to the complainant.<sup>134</sup>

124. ASCII is defined by Dictionary.com as "an acronym for American Standard Code for Information Interchange. Computers use this code to standardize communication between different machines." Dictionary.com, <http://dictionary.reference.com/browse/ascii> (last visited Oct. 2, 2007) (quoting THE AMERICAN HERITAGE NEW DICTIONARY OF CULTURAL LITERACY (3d ed. 2005)).

125. WIPO Case No. D2006-0278 (Dr. Massimo Introvigne May 4, 2006), <http://www.wipo.int/amc/en/domains/decisions/html/2006/d2006-0278.html>.

126. I-Nav Software is available at Internationalized Domain Names, Web Addresses in Your Own Language, <http://www.idnnow.com> (last visited Oct. 2, 2007), and is used to "translate" an internationalized domain name into standard ASCII text.

127. *Id.*

128. WIPO Case No. D2006-0885 (Susanna H.S. Leong Oct. 12, 2006), <http://www.wipo.int/amc/en/domains/decisions/html/2006/d2006-0885.html>.

129. *Id.*

130. *Id.*

131. *Id.*

132. *Id.*

133. *Id.*

134. *Id.*

### C. CYBERFLYING

In some cases, domain name registrants will engage in “cyberflying,” where they enter or change the WHOIS<sup>135</sup> information for a domain name in an attempt to disrupt a UDRP proceeding and circumvent the UDRP process.<sup>136</sup> While cyberflying was not a new phenomenon in 2006, several panels chose to address not only the newly coined term but also the different ways complainants attempted to respond to the problem. Cyberflight most commonly occurs just after a complainant contacts a registrant regarding a disputed domain name or after a complaint is filed.<sup>137</sup> Often the registrant of the domain name changes the WHOIS information for the domain name so it reflects the complainant’s name and address.<sup>138</sup> Despite being listed as the registrant of the disputed domain name, the trademark holder does not have access to the account containing the domain name, forcing it to file a complaint listing itself as the respondent.<sup>139</sup> Some complainants who are put into this position go on to file a response asking for a consent judgment.<sup>140</sup> Panels vary in their responses to this unusual practice and to the complainants’ creative responses.

In *Kendall-Jackson Wine Estates, Ltd. v. Jackson Enterprises*<sup>141</sup> and *High Point Bank and Trust Co. v. High Point Bank & Trust*,<sup>142</sup> panels ordered the transfer of domain names in cases in which the original registrant of the domain name changed the WHOIS information to indicate that the complainant was the registrant of the disputed domain name. In both cases, the complainant submitted a response.<sup>143</sup> Both panels simply found that because the WHOIS information is supposed to reflect the registrant of the domain name, the party controlling the domain name intended to transfer the domain name to the complainant.<sup>144</sup> The panels ordered what might be considered a consent judgment without analyzing the cases on their merits.<sup>145</sup> In *General Communication, Inc. v. General Communications Inc.*,<sup>146</sup> the panel transferred a domain name to the complainant based on the similarity between the registration information for both the complainant and the respondent. Because there was

135. WHOIS is a general term for the database of contact information that is kept for all domain name registrants. See WHOIS, <http://en.wikipedia.org/wiki/WHOIS> (last visited Oct. 31, 2007).

136. For a definition of “cyberflying,” see Legitname, Glossary, Cyberflying, <http://www.legitname.com/glossary/cyberflying.html> (last visited Oct. 31, 2007).

137. See, e.g., *High Point Bank and Trust Co. v. High Point Bank & Trust*, NAF Claim No. FA0601000632711 (M. Kelly Tillery Feb. 22, 2006), <http://domains.adrforum.com/domains/decisions/632711.htm>.

138. See, e.g., *id.*

139. See, e.g., *id.* For the purposes of a UDRP proceeding, the “owner” of a domain name is the person or entity listed in the WHOIS information. See *id.*

140. See, e.g., *id.*

141. NAF Claim No. FA0609000808039 (Hon. James A. Carmody Nov. 13, 2006), <http://domains.adrforum.com/domains/decisions/808039.htm>.

142. NAF Claim No. FA0601000632711.

143. *Id.*

144. *Id.*

145. *Id.*

146. NAF Claim No. FA0608000778968 (Sandra J. Franklin Oct. 4, 2006), <http://domains.adrforum.com/domains/decisions/778968.htm>.

no response in this case, the panel considered all three elements of the policy.<sup>147</sup> It first found that the complainant's GCI mark was confusingly similar to the <mygci.com> domain name.<sup>148</sup> The panel then took into account the cyberflight and found it to be evidence that respondent had no rights or legitimate interest in the domain name and that respondent acted in bad faith.<sup>149</sup> When a complainant responded to its own complaint with a formal consent to transfer, however, the panel in *First Data Corporation v. FIRSDATACLIENT.COM*<sup>150</sup> refused to issue the requested consent judgment, choosing to rely solely on the traditional UDRP analysis in deciding to transfer the domain name to the complainant.

#### IV. COPYRIGHT

Copyright law reflects “a sound balance” between the values of “supporting creative pursuits through copyright protection” and of “promoting innovation in new communication technologies by limiting the incidence of liability for copyright infringement.”<sup>151</sup> The tension between the two values is reflected in two Internet technologies that were significant in 2006 copyright decisions. One group of cases involves search engine functions and the manner in which copyrighted content of third parties can be indexed, displayed, archived, and accessed.<sup>152</sup> A second group of cases involves technologies permitting file sharing among users, particularly the sharing of music files.<sup>153</sup> We see in both these areas the difficulty in applying existing copyright law to the Internet—where copying is simple, every copy is identical to the original, and many people use the technologies to locate, view, and copy copyrighted works.

##### A. SEARCH ENGINE FUNCTIONS

Search engine functions figured prominently in 2006 in cyberspace copyright law. In one case,<sup>154</sup> Google's “cache” function<sup>155</sup> survived attack from an author who claimed the cache function infringed his copyrights in 51 works that had been on his web site. In another case,<sup>156</sup> Google avoided liability under a theory

147. *Id.*

148. *Id.*

149. *Id.*

150. WIPO Case No. D2006-0928 (Christopher J. Pibus Nov. 24, 2006), <http://www.wipo.int/amc/en/domains/decisions/html/2006/d2006-0928.html>.

151. *Metro-Goldwin-Mayer Studios Inc. v. Grokster, Ltd.*, 545 U.S. 913, 928 (2005).

152. *See infra* Part IV.A.

153. *See infra* Part IV.B.

154. *Field v. Google Inc.*, 412 F. Supp. 2d 1106, 1109, 1125 (D. Nev. 2006).

155. Google's cache function directs an Internet user to an archival copy of a web page stored in Google's system cache rather than to the current web site for that page. *Id.* at 1111. Google enables users to access the cached copy of the web page: (1) to access the web site when, for whatever reason, the current web page is inaccessible; (2) to determine how a particular page has changed over time; and (3) to determine why a particular page was deemed responsive to a search query. *Id.* at 1111–12.

156. *Perfect 10, Inc. v. Google, Inc.*, 416 F. Supp. 2d 828 (C.D. Cal. 2006), *aff'd in part, rev'd in part, and remanded sub nom.* *Perfect 10, Inc. v. Amazon.com, Inc.*, 487 F.3d 701, 725, 729 (9th Cir. 2007).

of direct infringement for its practices of “in-line linking”<sup>157</sup> to images on other web sites and displaying thumbnail versions of copyrighted images, but still faces potential liability to the plaintiff under a theory of contributory infringement.<sup>158</sup> In a third case,<sup>159</sup> Google’s practice of providing users with the ability to access, search, and post messages to the Usenet<sup>160</sup> survived direct, contributory, and vicarious copyright infringement claims. As a result of these cases, we see that common search engine functions do not directly infringe, even when used to index, store, and display content in which a third party owns the copyright, but there is still a question whether the search engines are liable to the copyright holders for contributory infringement.

In *Field v. Google Inc.*,<sup>161</sup> the plaintiff (an author and attorney) wrote 51 short stories over a three-day period, registered the copyrights for the works with the U.S. Copyright Office, and created a web site to publish the works on the Internet. After Google’s automated indexing program accessed the site and indexed the pages, the pages became available in Google’s search results.<sup>162</sup> When the pages containing the copyrighted works were displayed in the search results, they were automatically displayed with “cached links.”<sup>163</sup> Field then filed a complaint against Google, alleging that by operating its cache and presenting “cached” links to his works, Google infringed his copyrights.<sup>164</sup> Field argued that Google directly infringed his reproduction and distribution rights when a Google user “clicked on a [c]ached link to the web pages containing Field’s copyrighted works and downloaded a copy of those pages from Google’s computers.”<sup>165</sup> Field did not allege that Google was liable for secondary infringement.<sup>166</sup>

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157. “‘In-line link’ refers to the process whereby a webpage can incorporate by reference (and arguably cause to be displayed) content stored on another website.” See *Perfect 10 v. Google*, 416 F. Supp. 2d at 838. See also *Kelly v. Arriba Soft Corp.*, 336 F.3d 811, 816 (9th Cir. 2003) (“The in-line link instructs the user’s browser to retrieve the linked-to image from the source web site and display it on the user’s screen, but does so without leaving the linking document.”).

158. “A ‘thumbnail’ is a lower-resolution (and hence, smaller) version of a full-size image. Thumbnails enable users to quickly process and locate visual information.” See *Perfect 10 v. Google*, 416 F. Supp. 2d at 833 n.4.

159. *Parker v. Google, Inc.*, 422 F. Supp. 2d 492, 496–500 (E.D. Pa. 2006), *aff’d*, No. 06-3074, 2007 WL 1989660 (3d Cir. July 10, 2007).

160. The Usenet is “a worldwide community of electronic [bulletin boards] that is closely associated with the Internet and with the Internet community. The messages in Usenet are organized into thousands of topical groups, or ‘Newsgroups.’ As a Usenet user, you read and contribute (‘post’) to your local Usenet site. Each Usenet site distributes its users’ postings to other Usenet sites based on various implicit and explicit configuration settings, and in turn receives postings from other sites.” *Parker*, 422 F. Supp. 2d at 495 n.1 (quoting *Religious Tech. Ctr. v. Netcom On-Line Comm’n Serv., Inc.*, 907 F. Supp. 1361, 1366 n.4 (N.D. Cal. 1995)).

161. 412 F. Supp. 2d at 1110, 1114.

162. *Id.* at 1114.

163. *Id.* at 1113–14.

164. *Id.* at 1110, 1113–14.

165. *Id.* at 1114.

166. *Id.* at 1114 n.8.

The district court granted summary judgment in favor of Google on five independent bases.<sup>167</sup> First, the court followed precedent from other online cases and held that the “automated, non-volitional conduct by Google in response to a user’s request [for the cached web page] does not constitute a direct infringement [of Field’s copyrights] under the Copyright Act.”<sup>168</sup> The court reasoned that “[w]ithout the user’s request, the copy would not be created and sent to the user,” so that the infringement of Field’s reproduction right would not have occurred.<sup>169</sup>

Without needing to do so, the court went on to find that Google had also established four defenses to the infringement claim. First, the court found that Field granted an implied license to Google to use and cache the copyrighted works he placed on his web site.<sup>170</sup> The court found that Field was aware that the “no-archive” metatag was a well-known industry standard, and knew that the presence of the “no-archive” metatag on the pages of his web site would have instructed Google’s automatic indexing program not to display “cached” links to his web pages.<sup>171</sup> Because Field went ahead and deliberately chose not to include the “no-archive” metatag on the pages of his site, the court found his conduct could be reasonably interpreted as a grant of a license to Google to use his copyrighted works.<sup>172</sup>

The court further held that Google was entitled to summary judgment because Field remained silent regarding his unstated desire not to have “cached” links provided to his works with the intent that Google rely on his silence, and Google did not know of Field’s desire and relied to its detriment on his silence.<sup>173</sup> The court also found that Google’s use of the cached links was “fair use” of Field’s work,<sup>174</sup> and that Google’s use of its cached links qualified for the section 512(b) safe harbor for system caches under the Digital Millennium Copyright Act.<sup>175</sup>

Google’s Image Search functions<sup>176</sup> were at issue in the *Perfect 10* decisions.<sup>177</sup> *Perfect 10* “markets and sells copyrighted images of nude models” through, among other things, a subscription magazine and a subscription web site on the Internet.<sup>178</sup> As the court further explained:

167. *Id.* at 1125. One commentator (not one of the authors) called the decision a “dream ruling” for Google. Posting of Eric Goldman & John Ottaviani to Technology & Marketing Law Blog, <http://blog.ericgoldman.org/archives/2006/12/> (Dec. 15, 2006, 11:39 EST).

168. *Field*, 412 F. Supp. 2d at 1115 (citing *CoStar Group, Inc. v. LoopNet, Inc.*, 373 F.3d 544, 555 (4th Cir. 2004); *Sega Enters. Ltd. v. MAPHIA*, 948 F. Supp. 923, 931–32 (N.D. Cal. 1996); *Religious Tech. Ctr.*, 907 F. Supp. at 369–70).

169. *Field*, 412 F. Supp. 2d at 1115.

170. *Id.* at 1116.

171. *Id.*

172. *Id.*

173. *Id.* at 1117.

174. *Id.* at 1117–23.

175. *Id.* at 1123–25.

176. *See supra* notes 157–58.

177. *Perfect 10 v. Google*, 416 F. Supp. 2d 828, *aff’d in part, rev’d in part, and remanded sub nom. Perfect 10 v. Amazon.com*, 487 F.3d at 725, 729.

178. *Perfect 10 v. Google*, 487 F.3d at 713.

Some web sites publishers republish Perfect 10's images on the Internet without authorization. Once this occurs, Google's search engine may automatically index the webpages containing these images and provide thumbnail versions of [the] images in response to user inquiries. When a user clicks on the thumbnail image returned by Google's search engines, the user's browser accesses the third-party web page and in-line links to the full-sized image stored on the website publisher's computer. The image appears, in its original context, on the lower portion of the window on the user's computer screen framed by information from Google's webpage.<sup>179</sup>

Perfect 10 alleged that Google<sup>180</sup> was directly and secondarily liable for copyright infringement.<sup>181</sup> Perfect 10 argued that Google directly infringed Perfect 10's copyrights by displaying and distributing full-size images of Perfect 10's photographs hosted by third-party web sites, and by creating, displaying, and distributing thumbnails of Perfect 10's copyrighted full-size images.<sup>182</sup>

With respect to the full-size images, the district court held that Google's practice of framing an "in-line link" to an image when a user conducts an image search does not constitute a "display" of the image within the meaning of the Copyright Act, and therefore does not infringe Perfect 10's exclusive "display" right<sup>183</sup> under the Copyright Act.<sup>184</sup> The court reasoned that Google does not "display" the image because Google only links to the image on a third-party web site and does not serve or store the image.<sup>185</sup>

The court also found that Google's practice of framing and "in-line linking" to a full-size image when a user conducts an image search does not constitute a "distribution" of Perfect 10's pictures in violation of Perfect 10's exclusive "distribution" right.<sup>186</sup> After noting that a distribution of a copyrighted work requires an "actual dissemination" of copies,<sup>187</sup> the court determined that it is the third-party web sites hosting the infringing images, not Google, "that transfer the full-size images to users' computers."<sup>188</sup> The court concluded that because Google was not

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179. *Id.*

180. Perfect 10 also named Amazon.com and its subsidiary A9.com as defendants. *Perfect 10 v. Google*, 416 F. Supp. 2d at 831. Amazon.com licenses from Google much of the search technology used by Amazon.com and A9.com. *Id.*

181. *Id.* at 834.

182. *Id.* at 838.

183. Among the exclusive rights granted to a copyright holder in section 106 of Title 17 of the U.S. Code are the exclusive rights: "(1) to reproduce the copyrighted work in copies or phonorecords; ... (3) to distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or lending; ... [and] (5) in the case of ... pictorial, graphic, or sculptural works ... to display the copyrighted work publicly ...." 17 U.S.C. § 106 (2000 & Supp. V 2005).

184. *Perfect 10 v. Google*, 416 F. Supp. 2d at 844.

185. *Id.* Google did admit both that third-party web sites that post Perfect 10's images on the Internet are direct infringers because they violate Perfect 10's display right, and that those web sites violate Perfect 10's distribution right because the web sites transfer the images to the searcher's computer. *Id.* at 852.

186. *Id.* at 844-45.

187. *Id.* at 844 (citing *In re Napster, Inc. Copyright Litig.*, 377 F. Supp. 2d 796, 802-04 (N.D. Cal. 2005)).

188. *Perfect 10 v. Google*, 416 F. Supp. 2d at 844.

involved in the transfer of the image, “Google has not actually disseminated—and hence, ha[s] not distributed, the infringing content.”<sup>189</sup>

Google did not fare so well in the district court with respect to its practice of creating and storing “thumbnail” versions of plaintiff’s images. Here, the district court held that Google does “display” those images.<sup>190</sup> Google admitted that it “create[d] and store[d] the thumbnails on its own servers—and that upon receiving search queries, Google’s search engine respond[ed] by displaying a grid of those thumbnails.”<sup>191</sup>

Although Google argued that its practice of creating and storing the “thumbnail” versions of the full-size images constituted “fair use” under copyright law,<sup>192</sup> the district court disagreed.<sup>193</sup> In considering the traditional factors in the fair use analysis,<sup>194</sup> the district court found that Google derived commercial benefit from third-party web sites that both carried Google-sponsored advertising and hosted infringing content.<sup>195</sup> The district court also found that, although “Google’s use of thumbnails to simplify and expedite access to information was highly transformative,” Google’s use of thumbnail images was “consumptive” with respect to reduced size images that Perfect 10 licensed to a third party for download to cell phones.<sup>196</sup> Overall, the court found that the first, second, and fourth factors—the purpose and character of the use, the nature of the copyrighted work, and the effect of Google’s use upon the potential market for or value of Perfect 10’s work—weighed slightly in favor of Perfect 10, and that the third factor—the amount and substantiality of the portion used in relation to the copyrighted work as a whole—did not weigh in either party’s favor.<sup>197</sup> Accordingly, the court held that Google’s creation and display of the thumbnails of the copyrighted full-size images did not likely fall within the fair use exception.<sup>198</sup> The district court concluded that Perfect 10 had established “a likelihood of proving that Google’s creation and public display of the thumbnails does directly infringe Perfect 10’s copyrights.”<sup>199</sup>

189. *Id.* at 844. The court did not address whether Google also “distributes” the thumbnails because it found that Google’s “display” of the thumbnails directly infringes plaintiff’s copyrights. However, the court indicated that even if Google did “distribute” the thumbnails, this automatic “distribution would likely constitute fair use.” *Id.* at 845 n.11.

190. *Id.* at 844–45.

191. *Id.* at 844.

192. “[T]he fair use of a copyrighted work...for purposes such as criticism, comment, news reporting, teaching...scholarship, or research, is not an infringement of copyright.” 17 U.S.C. § 107 (2000).

193. *Perfect 10 v. Google*, 416 F. Supp. 2d at 851.

194. Section 107 of Title 17 of the U.S. Code lists the following four non-exclusive factors to be considered in determining whether the use made of a work in any particular case is a fair use: “(1) the purpose and character of the use, including whether such use is of a commercial nature or is for non-profit educational purposes; (2) the nature of the copyrighted work; (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and (4) the effect of the use on the potential market for or value of the copyrighted work.” 17 U.S.C. § 107 (2000).

195. *Perfect 10 v. Google*, 416 F. Supp. 2d at 845–47.

196. *Id.* at 849.

197. *Id.* at 851.

198. *Id.*

199. *Id.*

In rejecting Google's "fair use" defense, the district court distinguished Google's thumbnails from the thumbnails created by a search engine in a prior case in which the Ninth Circuit found the display of thumbnail images to be a "fair use" of the images.<sup>200</sup> In *Kelly v. Arriba Soft Corp.*,<sup>201</sup> Arriba Soft ran a search engine with Kelly's pictures as thumbnail images in its database.<sup>202</sup> When a user clicked on a thumbnail image, the full-size picture was displayed in a new web browser window.<sup>203</sup> In *Perfect 10, Inc. v. Google, Inc.*, the district court identified two features that distinguished Google's practices from Arriba Soft's. First, Arriba Soft received no financial benefit from the display of the photographs.<sup>204</sup> Google, on the other hand, benefited financially from the display of thumbnails of Perfect 10's photographs because the thumbnails led users to web sites that participated in Google's AdSense program.<sup>205</sup> Second, in *Kelly v. Arriba Soft Corp.*, the court found that Arriba Soft's display of thumbnails did not harm the market for the photographer's work, in part because Arriba Soft's search engine "guide[d] users to Kelly's web site rather than away from it."<sup>206</sup> However, Perfect 10 demonstrated a potential market for thumbnail images of its photographs by entering into a license agreement with a company to make the photographs available on cell phones.<sup>207</sup> The district court found that it was possible that Google's display of the thumbnails would interfere with the success of the licensing project because cell phone users could see the same thumbnails through Google Image Search for free.<sup>208</sup>

With respect to secondary copyright liability, the district court found that Google was unlikely to be liable for contributory infringement because Google most likely did not "materially contribute" to the infringement taking place on third-party web sites.<sup>209</sup> The court found that infringing third-party web sites "existed long before Google Image Search was developed," and "would continue to exist were Google Image Search shut down."<sup>210</sup> The court further held that Google was not likely to be vicariously liable for copyright infringement because Google did not exercise control over the Internet.<sup>211</sup> In particular, the court found that Google lacked authority to prevent third-party web sites from providing infringing content.<sup>212</sup> As a result, the district court concluded that Perfect 10 had not

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200. See *id.* at 846–51 (citing *Kelly*, 336 F.3d at 822).

201. *Kelly*, 336 F.3d at 815.

202. *Id.* Arriba Soft's search engine displayed the results of a user's query as "thumbnail" images rather than as a list of results in text format. *Id.*

203. As the court explained, "[t]o provide this service, Arriba developed a computer program that 'crawls' the web looking for images to index. This crawler downloads full-sized copies of the images onto Arriba's server. The program then uses these copies to generate smaller, lower-resolution thumbnails of the images. Once the thumbnails are created, the program deletes the full-sized originals from the server." Thus, Arriba Soft only stored the thumbnails, not the full-size images, on its server. *Id.*

204. *Perfect 10 v. Google*, 416 F. Supp. 2d at 846.

205. *Id.*

206. *Kelly*, 336 F.3d at 821.

207. *Perfect 10 v. Google*, 416 F. Supp. 2d at 850–51.

208. *Id.*

209. *Id.* at 856.

210. *Id.*

211. *Id.* at 857.

212. *Id.* at 858.

established a likelihood of proving that Google was vicariously liable for the infringement by third-party web sites.<sup>213</sup>

On appeal, the Ninth Circuit agreed with the district court that Perfect 10 was likely to succeed on its claim “that Google’s communication of its stored thumbnail images directly infringes Perfect 10’s display right,” and that Perfect 10 was unlikely to succeed on its claim that Google’s in-line linking and framing of full-size infringing images constituted direct infringement of Perfect 10’s display and distribution rights.<sup>214</sup> However, the Ninth Circuit reversed the district court’s finding on fair use, and held that Google’s use of thumbnails was most likely a fair use of the full-size images.<sup>215</sup> In particular, the Ninth Circuit felt that “the significantly transformative nature of Google’s search engine, particularly in light of its public benefit, outweigh[ed] Google’s superseding and commercial uses of the thumbnails in this case.”<sup>216</sup> The Ninth Circuit also found that because “the district court did not find that any down loads of thumbnails for mobile phone use had taken place,” the harm to Perfect 10 was “not significant at present.”<sup>217</sup> With respect to vicarious infringement, the Ninth Circuit also affirmed the district court’s ruling that Perfect 10 did not establish the likelihood of being able to prove that Google exerted the control over third-party web sites necessary for vicarious liability.<sup>218</sup>

However, in analyzing Google’s potential liability for contributory infringement, the Ninth Circuit disagreed with the district court’s conclusion that Google did not contribute materially to the infringing content.<sup>219</sup> The Ninth Circuit felt that Google “substantially assist[ed] the websites to distribute their infringing copies to a worldwide market and assist[ed] a worldwide audience of users to access infringing materials.”<sup>220</sup> Thus, the Ninth Circuit held that Google could be held liable for contributory infringement “if it had knowledge that infringing Perfect 10 images were available using its search engine, could take simple measures to prevent further damage to Perfect 10’s copyrighted works, and failed to take such steps.”<sup>221</sup> Because the district court had not resolved the factual dispute over the adequacy of Perfect 10’s notices to Google concerning the infringement and Google’s reaction to the notices, or over whether there were “simple measures” for Google to take to block access to infringing images, the Ninth Circuit remanded the contributory liability claim to the district court for further consideration.<sup>222</sup>

Google’s conduct in providing users with the ability to access, search, and post messages to the Usenet<sup>223</sup> was under attack in *Parker v. Google, Inc.*<sup>224</sup> In that case,

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213. *Id.*

214. *Perfect 10 v. Amazon*, 487 F.3d at 715–19.

215. *Id.* at 725.

216. *Id.* at 723.

217. *Id.* at 722.

218. *Id.* at 730.

219. *Id.* at 729.

220. *Id.*

221. *Id.*

222. *Id.*

223. See *supra* note 160.

224. *Parker*, 422 F. Supp. 2d 492.

Parker posted an excerpt of one of his copyrighted works to the Usenet.<sup>225</sup> Parker alleged, among other things, that Google was liable for direct copyright infringement by archiving the author's posting on the Usenet so the posting could be accessible to others.<sup>226</sup> Parker also claimed that Google was liable for contributory and vicarious copyright infringement because it archived the copies of the author's post made by third parties and provided the posts to users searching the Usenet through Google.<sup>227</sup>

Citing the district court decision in *Field*, the court in *Parker v. Google, Inc.* found that Google was not liable for direct copyright infringement because there was no volitional conduct on the part of Google in automatically archiving the Usenet posts.<sup>228</sup> The court dismissed the plaintiff's claim for contributory copyright infringement because Parker failed to allege both that any specific work had been infringed and that Google had any knowledge of a third party's infringing activity.<sup>229</sup> Similarly, the court dismissed the vicarious copyright infringement claims because Parker failed to allege any copyrighted work that was infringed, third-party conduct that Google may have had the right and ability to supervise, or any infringing activity in which Google had a direct financial interest.<sup>230</sup>

Taken together, these cases demonstrate the deference of the courts to technology like Google's that provides great public benefit. Even though Google has found ways to derive revenue from its search functions, the courts have determined that Google (and other search engine providers) do not directly infringe another's copyright in content by archiving and displaying "cached" copies of web pages containing the content (at least in cases in which the web site owner has not instructed Google not to do so), by in-line linking and framing of full-size versions of the content hosted on third-party web sites, by automatically indexing web pages containing copyrighted images and providing thumbnail versions of the images in response to user inquiries, or by providing users with the ability to access, search, and post message on the Usenet. Google also has survived claims that it is vicariously liable for the infringing activities of third-party web sites.

One area of potential liability left open by the trio of decisions is whether Google is contributorily liable for in-line linking to full-size images on third-party web sites. Google's ultimate liability will depend on whether Google had sufficient knowledge of the infringing activity, and whether there were reasonable and feasible means for Google to refrain from providing access to infringing images. We need to await further decisions in this regard.

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225. *Id.* at 496.

226. *Id.*

227. *Id.* at 489–99.

228. *Id.* at 497 (citing *Field*, 412 F. Supp. 2d at 1114–15).

229. *Id.* at 498–99.

230. *Id.* at 499–500.

## B. FILE SHARING AND THE SECTION 106(3) DISTRIBUTION RIGHT

One of the exclusive rights granted to a copyright owner is the right to distribute copies of a copyrighted work to the public.<sup>231</sup> But when the works are not fixed in material objects, such as in books or CDs, but take the form of electronic computer music files, it is not clear whether the work can be “distributed.” It is also unclear whether it is a “distribution” merely to have the music file stored in a folder that is made available to the general public without any additional evidence that the file was uploaded or downloaded by others. Courts are having a difficult time determining whether the copyright owner’s “distribution right” is infringed by the use of Internet file-sharing networks.<sup>232</sup>

It seems clear from the plain language of the copyright law that the transmission of electronic files over the Internet does not violate a copyright owner’s exclusive right of distribution. Section 106(3) of Title 17 grants to copyright owners the exclusive right “to distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or lending.”<sup>233</sup> The definitions of “copies” and “phonorecords” both apply only to “material” objects.<sup>234</sup> So while a sound recording fixed on a computer hard drive qualifies as a “phonorecord,” the transmission of the electronic file containing that sound recording to another computer over the Internet does not involve any material object, and thus, by definition, does not constitute a distribution of a “copy” or a “phonorecord” as those terms are defined in the copyright laws.<sup>235</sup>

Despite the clear language of the copyright law, we saw two 2006 decisions where the court briefly discussed in the context of motions to dismiss whether the transmission of an electronic file fell within 17 U.S.C. section 106(3), but deferred the question so that the parties could develop more facts about the

231. See 17 U.S.C. § 106(3) (2000 & Supp. V 2005). The statute does not grant the exclusive right to distribute the “copyrighted work,” just “copies” and “phonorecords” of the work. *But see* 17 U.S.C. § 106(4) (2000 & Supp. V 2005), which grants the exclusive right to perform the “copyrighted work,” and 17 U.S.C. § 106(6) (2000 & Supp. V 2005), which grants the exclusive right to display the “copyrighted work” publicly.

232. See *supra* notes 236–40.

233. 17 U.S.C. § 106(3) (2000 & Supp. V 2005).

234. Copies are defined as “material objects, other than phonorecords, in which a work is fixed by any method now known or later developed, and from which the work can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device.” 17 U.S.C. § 101 (2000). Phonorecords are defined as “material objects in which sounds, other than those accompanying a motion picture or other audiovisual work, are fixed by any method now known or later developed, and from which the sounds can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device.” *Id.*

235. Although the language of the copyright law seems clear, there is some scholarly debate over the scope of section 106(3) and its applicability to the electronic transmission of music files. Compare R. Anthony Reese, *The Public Display Right: The Copyright Act’s Neglected Solution to the Controversy over RAM “Copies,”* 2001 U. ILL. L. REV. 83, 126–27 (asserting that to constitute distribution a party’s act must involve some transfer of, or transfer of ownership or possessory rights in, a material object), with Niels Schaumann, *Copyright Infringement and Peer-to-Peer Technology*, 28 WM. MITCHELL L. REV. 1001, 1037 (2002) (asserting that “digital phonorecord delivery is legally and, in most respects functionally, the same as distributing tangible copies of a phonorecord to the public”).

technologies.<sup>236</sup> Both cases involved lawsuits by music publishers against individuals who had used Internet file-sharing networks without authorization to download music to their computers and to make it available to the public.<sup>237</sup> In *Fonovisa, Inc. v. Alvarez*, the court felt that it had “an incomplete understanding of the P2P technology at this stage,” and that the issue would be more appropriately considered “on a motion for summary judgment, when the parties will have an opportunity to fully explain the P2P technology and the means by which a file can be made available to distribute for public download on P2P systems.”<sup>238</sup> Similarly, in *Arista Records LLC v. Gruebel*, the court reviewed the text and legislative history of section 106(3), scholarly articles, and applicable precedent before concluding that “[a]t the very least, the issue is not one that would justify dismissing the complaint and precluding the parties from developing facts relevant to the claim of infringement by distribution.”<sup>239</sup>

Whether these decisions reflect genuine confusion over the language of section 106(3), or just judicial reluctance to dismiss the cases at an early stage, is not clear.<sup>240</sup> But the refusal of the courts to adopt the plain meaning of section 106(3), even at the early stage of the cases, is troubling.

## V. PATENT

One patent case<sup>241</sup> decided in 2006 was notable, not so much because of the substance of the underlying dispute, but because of its potential effect on intellectual property disputes in the future.

The ability of the intellectual property holder to obtain a permanent injunction is often the ultimate threat in an intellectual property dispute.<sup>242</sup> It has been our experience that in many cases, the possibility of having to pay monetary damages is less threatening to an accused infringer than the threat of having to stop the infringing conduct altogether, and the threat of an injunction forces the alleged infringer to take a license on terms less favorable than it might have otherwise been able to negotiate. In one well-known instance, Research In Motion (“RIM”) came very close to having to shut down its BlackBerry portable e-mail service after a court found that RIM had infringed a patent held by NTP and RIM faced

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236. *Arista Records LLC v. Gruebel*, 453 F. Supp. 2d 961, 963, 968 (N.D. Tex. 2006); *Fonovisa, Inc. v. Alvarez*, No. 1:06-CV-011-C, slip op. at 8 (N.D. Tex. July 24, 2006) (denying defendant’s motion to dismiss).

237. *Arista Records*, 453 F. Supp. 2d at 963; *Alvarez*, No. 1:06-CV-011-C, slip op. at 3.

238. *Alvarez*, No. 1:06-CV-011-C, slip op. at 6.

239. *Arista Records*, 453 F. Supp. 2d at 968.

240. Both cases settled. See *Arista Records LLC v. Gruebel*, No. 4:05-CV-531-Y, slip op. at 1 (N.D. Tex. Jan. 12, 2007) (dismissing case pursuant to joint stipulation of dismissal); *Fonovisa, Inc. v. Alvarez*, No. 1:06-CV-00011, slip op. at 1–3 (N.D. Tex. Apr. 10, 2007) (entering judgment to which parties stipulated).

241. See *eBay Inc. v. MercExchange, L.L.C.*, 126 S. Ct. 1837 (2006).

242. See Harrie Samaras et al., *Obtaining Permanent Injunctions Post-eBay*, INSIGHT, Summer 2007, <http://www.ratnerprestia.com/attachments/188.pdf>.

the immediate threat of an injunction.<sup>243</sup> Any legal standard that increases or decreases the likelihood of the intellectual property owner being able to obtain an injunction affects the negotiating leverage of the parties in an intellectual property dispute.

The underlying dispute in *eBay Inc. v. MercExchange, L.L.C.*<sup>244</sup> is a typical intellectual property dispute. MercExchange holds a number of patents, including a business method patent for an electronic market designed to facilitate the sale of goods between private individuals by establishing a central authority to promote trust among participants.<sup>245</sup> MercExchange sought to license its patent to eBay, but the parties were unable to agree on the terms.<sup>246</sup> MercExchange subsequently filed a patent infringement suit against eBay.<sup>247</sup> After a trial, the jury found that MercExchange's patent was valid, that eBay had infringed the patent, and that an award of damages in the amount of \$35,000,000 was appropriate.<sup>248</sup>

Following the jury verdict, however, the district court denied MercExchange's motion for a permanent injunction.<sup>249</sup> The district court first recited the traditional "four-factor" test that a plaintiff must satisfy before a court may grant a permanent injunction.<sup>250</sup> But on the first factor, the district court concluded that the evidence of the "plaintiff's willingness to license its patents," "its lack of commercial activity in practicing the patents," and "its comments to the media as to its intent with respect to enforcement of its patent rights" were sufficient to establish that the plaintiff would not suffer irreparable harm if a permanent injunction did not issue.<sup>251</sup> The U.S. Supreme Court later concluded that the district court's determination would prevent many patent holders, such as university researchers and individual inventors, from obtaining injunctive relief, even if they could otherwise satisfy the four-factor test for a permanent injunction, simply because they prefer to license their patents "rather than undertake efforts to secure the financing necessary to bring the work[s] to market themselves."<sup>252</sup>

243. See G. Wong, *Judge: No BlackBerry Shutdown, Yet*, CNNMONEY.com, Feb. 24, 2006, <http://money.cnn.com/2006/02/24/technology/blackberry/index.htm>. The case settled before a decision on the permanent injunction issued. See R. Kelly, *BlackBerry Maker, NTP Ink \$612 Million Settlement*, CNNMONEY.com, March 3, 2006, [http://money.cnn.com/2006/03/03/technology/rimm\\_ntp/index.htm](http://money.cnn.com/2006/03/03/technology/rimm_ntp/index.htm).

244. *eBay*, 126 S. Ct. 1837.

245. See U.S. Patent No. 5,845,265 (filed Nov. 7, 1995).

246. See *MercExchange, L.L.C. v. eBay, Inc.*, 275 F. Supp. 2d 695, 713 (E.D. Va. 2003), *aff'd in part, rev'd in part*, 401 F.3d 1323 (Fed. Cir. 2005), *vacated and remanded*, 126 S. Ct. 1837.

247. *Id.* at 698–99.

248. See *id.* at 698–99, 711.

249. *Id.* at 715.

250. *Id.* at 711. "Issuance of injunctive relief against [the defendants] is governed by traditional equitable principles, which require consideration of (i) whether the plaintiff would face irreparable injury if the injunction did not issue, (ii) whether the plaintiff has an adequate remedy at law, (iii) whether granting the injunction is in the public interest, and (iv) whether the balance of the hardships tips in the plaintiff's favor." *Id.* (alterations in original) (quotation marks and citations omitted).

251. *Id.* at 712.

252. *eBay*, 126 S. Ct. at 1840.

In reversing the district court, the Federal Circuit fashioned a rule that swung the balance in favor of patent owners. The Federal Circuit stated “that a permanent injunction will issue once infringement and validity have been adjudged” except in rare instances when the infringing device is necessary to protect the public interest.<sup>253</sup> After stating that rule, the Federal Circuit reversed the district court’s denial of MercExchange’s motion for a permanent injunction.<sup>254</sup>

The United States Supreme Court found fault both with the analysis used by the district court in declining to issue an injunction in favor of MercExchange after finding that eBay infringed the patent at issue, and with the Federal Circuit’s “automatic” rule that a permanent injunction should issue, absent exceptional circumstances, once it is found that a party infringes a valid patent. After confirming that the district court correctly held that the traditional four-factor test was the appropriate test to use in patent cases,<sup>255</sup> the Court found that the district court had misapplied the test.<sup>256</sup> By creating a “categorical rule” that a patent owner who was willing to license its patents and did not practice the patents would be unable to demonstrate irreparable harm, the district court denied such patent owners the right to demonstrate that they could satisfy the traditional four-factor test.<sup>257</sup> Similarly, the Supreme Court felt that the Federal Circuit erred by formulating a general rule “unique to patent disputes” in its “categorical grant” of injunctive relief to patent owners who demonstrate validity and infringement.<sup>258</sup>

The Supreme Court took no position on whether injunctive relief should or should not have issued to MercExchange.<sup>259</sup> On remand, the district court again denied the injunction.<sup>260</sup>

In a concurring opinion, Justice Kennedy noted the modern trend in which “firms use patents not as a basis for producing and selling goods, but, instead, primarily for obtaining licensing fees.”<sup>261</sup> Justice Kennedy expressed concern that for these firms, an injunction can be employed as a bargaining tool “to charge exorbitant fees to companies that seek to buy licenses to practice the patent.”<sup>262</sup> He

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253. *MercExchange*, 401 F.3d at 1338. The court cited the need to use an invention to protect public health as one of the exceptional circumstances. *Id.*

254. *Id.* at 1339.

255. *eBay*, 126 S. Ct. at 1840. The Supreme Court used different language to describe the four-factor test. The court stated, “[a] plaintiff must 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.” *Id.* at 1839.

256. *Id.* at 1840.

257. *Id.* at 1840–41.

258. *Id.* at 1841.

259. *Id.*

260. *MercExchange*, 500 F. Supp. 2d at 556. The district court evaluated the evidence and determined that MercExchange did not establish irreparable harm “based upon the facts specific to this case and not broad classifications or categorical exclusions of certain types of patent holders.” *Id.* at 570.

261. *eBay*, 126 S. Ct. at 1842 (Kennedy, J., concurring).

262. *Id.* at 1842.

concluded that in many cases, “legal damages may well be sufficient to compensate for the infringement and an injunction may not serve the public interest.”<sup>263</sup>

The decision is expected to make life more difficult for “patent trolls”<sup>264</sup> and other entities that acquire patent portfolios for the sole purpose of asserting infringement claims against other companies with whom they do not actually compete.<sup>265</sup> These entities not only have to prove that a patent is valid and has been infringed, but also undoubtedly now have to prove irreparable harm in order to obtain injunctive relief. Because most, if not all, of these “patent trolls” are seeking lost royalties, it may be difficult for them, just as it was for MercExchange, to prove that they have been irreparably harmed and are entitled to an injunction as opposed to only monetary damages. That difficulty may greatly reduce the leverage of such entities and other intellectual property owners in licensing negotiations, not only in the patent context, but in other intellectual property areas as well.<sup>266</sup>

## VI. CONCLUSION

Now that more and more cyberspace intellectual property cases have moved through the legal system, the courts seem more comfortable in applying existing intellectual property laws to novel uses of technology. In most of the cases we have discussed, the issues are created in cyberspace as they are in the physical world, and the results are becoming predictable. The “keyword” cases reflect a disagreement over whether a mark has to be physically placed on products or displayed

263. *Id.*

264. “**Patent troll** is a pejorative term used for a person or company that enforces its patents against one or more alleged infringers in a manner considered unduly aggressive or opportunistic.” Wikipedia, [http://en.wikipedia.org/wiki/Patent\\_troll](http://en.wikipedia.org/wiki/Patent_troll) (last visited Oct. 4, 2007).

265. Indeed, district courts in post-*MercExchange* decisions in 2006 generally denied permanent injunctive relief in patent infringement cases involving non-competitors. *See, e.g.,* *Voda v. Cordis Corp.*, No. CIV-03-1512-L, 2006 WL 2570614, at \*5 (W.D. Okla. Sept. 5, 2006) (finding that plaintiff does not establish that monetary damages are inadequate to compensate him); *Paice LLC v. Toyota Motor Corp.*, No. 2:04-CV-211-DF, 2006 WL 2385139, at \*2-3 (E.D. Tex. Aug. 16, 2006) (holding one reason that injunction not appropriate is that plaintiff does not manufacture competing vehicles); *z4 Techs., Inc. v. Microsoft Corp.*, 434 F. Supp. 2d. 437, 440 (E.D. Tex. 2006) (refusing to award injunction because Microsoft does not produce competing software and only uses the infringing technology as a small component of its own software). Courts generally granted such relief in patent infringement cases involving competitors. *See, e.g.,* *Transocean Offshore Deepwater Drilling, Inc. v. GlobalSantaFe Corp.*, No. H-03-2910, 2006 WL 3813778, at \*3 (S.D. Tex. Dec. 27, 2006) (issuing injunction in part because defendant uses device that infringes patent in direct competition with plaintiff); *Black & Decker Inc. v. Robert Bosch Tool Corp.*, No. 04 C 7955, 2006 WL 3446144, at \*5 (N.D. Ill. Nov. 29, 2006) (holding one reason that injunction should issue is that plaintiff is in direct competition with defendant); *TiVo, Inc. v. Echostar Commc’ns Corp.*, 446 F. Supp. 2d 664, 669-70 (E.D. Tex. 2006) (finding injunction appropriate because plaintiff and defendant are competitors).

266. Several courts have deemed *MercExchange* relevant to trademark litigation. *See, e.g.,* *Audi AG v. D’Amato*, 469 F.3d 534, 550 (6th Cir. 2006) (affirming entry of permanent injunction in trademark context); *Reno Air Racing Ass’n, Inc. v. McCord*, 452 F.3d 1126, 1137-38 (9th Cir. 2006) (affirming district court decision to enter permanent injunction to enjoin trademark infringement); *MyGym, LLC v. Engle*, No. 1:05-CV-130 TC, 2006 WL 3524474, at \*13 (D. Utah Dec. 6, 2006) (denying motion for preliminary injunction in trademark infringement case).

in the sale or advertising of services before its use is actionable under the Lanham Act, or whether mere “commercial use” is sufficient. We will need to wait and see whether time and more cases can reconcile this split. In the meantime, counseling clients in this area remains tricky. We are also seeing a troublesome pattern in the interpretation of the section 106(3) distribution right of a copyright owner in the Internet context, particularly in the file-sharing cases. Courts have either not analyzed the issues properly, have assumed conclusions without sufficient analysis, or have deferred the analysis until the record is more developed. Clear decisions would be welcome in this area.

Domain name panel decisions continue to attain a fairly reliable consistency; this is confirmed by noting that there were few ACPA claimants appealing UDRP decisions, and none were legally significant, in 2006. As Internet users become more savvy and as technology continues to advance, panels consistently find ways to separate out the mere cybersquatting claims from those meant to abuse the UDRP, and to apply accepted standards to resolve disputes fairly and without regard to the jurisdiction of the parties.