

## Advertising and Intellectual Property Law Update



By Greg J. Sater

Online sales are booming. They increased 17% in Q1 and are projected to exceed \$200 billion this year. High gas prices are favoring online sales, as more consumers decide to shop from home, and as a result, visit more social networking, shopping, and other websites.

It is not surprising that most of the cutting edge issues in advertising and intellectual property law are coming from the online world.

This article addresses two questions frequently asked by our clients; whether they can be liable for: (1) trademark infringement if they bid on a competitor's trademark as a keyword search term on search engines, and (2) copyright infringement, libel, or other torts if they allow third parties to post content on their websites and the content that they post (known as "user-generated content") violates someone's rights.

### Trademark Infringement Issues in the Use of Search Engine Keywords

By simply typing a query on a search engine, one can find almost anything. A consumer looking for fitness equipment, for example, may enter "fitness equipment" or, if he is interested in buying the Bowflex® product he saw on a television infomercial, may type in "Bowflex." In the latter case, the consumer then would see links selling the Bowflex®, but also would see, in the list of "Sponsored Results," links from various competitors advertising their own fitness products or programs. How did the competitors' listings get there? The answer is, by bidding on "Bowflex" as a keyword search term with the search engine.

Is that trademark infringement? It depends. Not only does it depend on the facts of each case but, because different courts currently view this practice in different ways, it also depends on what court you are in.

Outside of the Internet, trademark infringement occurs when a competitor uses a trademark owner's trademark on a product, on a package, or in an ad. It is a "use in commerce" that is seen by the consumer. But online, when a competitor bids on another's trademark as a keyword, it is not using the mark in a way that anyone sees. It is the consumer, not the competitor, who types in

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## Website Privacy Policies



By Natasha Shabani

A privacy policy is a legal notice on a website providing information about the use of consumers' personally identifiable information by the website owner. While there currently is no general federal law requiring any website operator to post a privacy policy, there is a California state law (discussed below). Moreover, the Federal Trade Commission (FTC) and other state Attorneys General regularly investigate and pursue legal action against web site operators who collect personal information without consent and share that information with third parties. Thus, if you own a website that involves e-commerce, facilitates social networking, or otherwise engages in the collection and/or sharing of your customers' personally identifiable information, you should post a privacy policy on the homepage of your website.

"Personally identifiable information" generally means any information collected online about an individual consumer, such as his/her name, street address, e-mail address, telephone number, social security number, or any other information that permits the physical or online contacting of a particular individual.

In 2004, California became the first state to enact a law mandating a privacy policy to be posted on any commercial website that collects personally identifiable information about California residents. The California Online Privacy Protection Act ("OPPA"), codified at California Business & Professions Code §§ 22575 – 22579, extends beyond California's borders because websites all over the United States (and even the world) can be accessed by California residents who may submit their personally identifiable information at any time. OPPA requires privacy policies to set forth what information is collected and how it is shared. Those who fail to comply with OPPA risk civil suits for unfair business practices.

To comply with OPPA requirements, as well as FTC and other states' standards, your website privacy policy should address all of the following issues:

- What type of personal information is collected on the website?

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the mark as a search term and, thus, "uses" it online.

Some courts have ruled that, based on these facts, there can be no trademark infringement because there is no "use in commerce," no "trademark use." See e.g., *RescueComcorp v. Google, Inc.*, 456 F.Supp.2d 393 (N.D. N.Y. 2006).

Other courts disagree, ruling that this is a "use in commerce" and concluding that, depending on the content of the link that comes up in response to the search, this practice can cause confusion. See e.g., *Storus Corp. vs. Aroa Marketing, Inc.*, 2008 WL 449835 (N.D. Cal. 2008). For these courts, the key issue is whether the consumer is likely to be confused by the link. If the link uses its own trademark rather than the plaintiff's, these courts tend to conclude that confusion is not likely because, in their view, consumers understand that the link, if clicked upon, will lead not to the trademark owner but rather to a competitor. See e.g., *J.G. Wentworth vs. Settlement Funding, LLC*, 85 U.S.P.Q.2d 1780 (E.D. Pa. 2007).

Even if a defendant has bid on a plaintiff's mark and has used the mark in the sponsored link itself, its conduct still could be held lawful if the court finds that it is a "fair use" under the Constitution, e.g., if it is in a comparative advertisement.

Similar legal issues can arise for unpaid or "natural" search engine optimization techniques (for instance, the use of another's trademark in "meta-tags," the hidden code written into website pages used to determine search results). See e.g., *North American Medical Corp. vs. Axiom Worldwide, Inc.*, 522 F.3d 1211, (C.A. Ga.) (11th Cir. 2008).

### **Liability Issues for User-Generated Content**

Websites featuring user-generated content are all the rage now: from E-bay and other auction sites, to blogs, to social networking sites like My Space and You Tube, the Internet now is dominated by individuals posting content for other members of the public. Some of that content, however, is copyrighted and some of it may constitute libel or otherwise cause someone harm.

If a company operates a website that includes user-generated content, can it be held liable for what the users have posted on it? Congress has passed two statutes which immunize companies from at least some forms of liability for user-generated content, but many legal issues remain unresolved.

The first statute is the Communications Decency Act ("CDA"), 47 U.S.C. §230. It provides: "No provider of an interactive computer service shall be treated as the publisher or speaker of any information provided by another information content provider." Thus, for example, the CDA insulates website operators from liability for libel posted by users of their sites. *Zeran v. America Online, Inc.*, 129 F.3d 327 (4th Cir. 1997). The CDA, in fact, provides immunity from any wrong, so long as the wrong arises from online content posted by a user, rather than by the website operator; this even has been

applied to user-generated content posted by a sexual predator which resulted in actual harm to a child. *Doe v. MySpace, Inc.*, 474 F.Supp.2d 843 (W.D. Tex. 2007).

There is an exception to the CDA, and it is for infringement of "intellectual property," such as copyrights and trademarks. The CDA does not provide immunity against that. Thus, subject to other statutes which may provide protections (such as the DMCA, discussed below), website operators can be held liable if user-generated content infringes a copyright or trademark.

It should be noted that one court recently made an exception to this exception, holding that, while the CDA provides no immunity from federal intellectual property infringement, it does provide it for state intellectual property infringement, e.g., violation of someone's right of publicity. *Perfect 10 v. CCBill LLC*, 488 F.3d 1102 (9th Cir. 2007). Another court, however, recently held the opposite. *Universal Communications Systems, Inc. v. Lycos, Inc.*, 478 F.3d 413 (1st Cir. 2007).

Importantly, the CDA provides no immunity if the website operator also is deemed to be a provider of the content. This raises several questions. What if a website operator does not author the content, but edits or adds to it? In this situation, the CDA does allow website operators to edit user-generated content while still retaining their immunity, if they do the editing "in good faith to restrict access ... to obscene, lewd, lascivious, filthy, excessively violent, harassing, or other objectionable content." But, this can be a trap for the unwary, as website operators can lose their immunity if they take an action that does not fall within this safe harbor, or, if they add their own content such as headings, notes, or comments. See, e.g., *Hy Cite Corp. v. badbusinessbureau.com*, 418 F. Supp. 2d 1142 (D. Ariz. 2005); *Anthony v. Yahoo! Inc.*, 421 F.Supp.2d 1257 (N.D. Cal. 2006).

Depending on the website, it is not always easy to determine whether its operator is a content-provider and, thus, not shielded by the CDA.

In *Fair Housing Council of San Fernando Valley v. Roommates.com, LLC*, 521 F.3d 1157 (9th Cir. 2008), for example, the court considered whether the CDA should shield the operator of Roommates.com from liability for violations of the Fair Housing Act ("FHA"), a statute which prohibits discrimination in housing. The website was an online matching service for people seeking roommates. The operator of the site had authored and posted a questionnaire for users to complete, denoting preferences in the kind of person they were looking for as a roommate. Some of the questions were about sexual orientation; others were about race, religion, or familial status. As a result, the user-generated content in response to the questionnaire could be: "I only will consider renting to a roommate who is Caucasian, heterosexual, and with no kids," a housing preference that violates the FHA. The court held that, as the author of the questionnaire, Roommates.com was a content provider and therefore not protected by the CDA. Having "contributed materially" to the FHA violation, it

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was too involved in the content to receive immunity.

The second federal statute that protects websites against certain claims based on user-generated content is the Digital Millennium Copyright Act ("DMCA"), 17 U.S.C. §512. Under certain conditions, it provides website operators with immunity from liability for copyright infringement (note: not trademark infringement). Those conditions include the reasonable implementation of policies that provide for the taking in of claims submitted by copyright owners who complain of infringement, the taking down of infringing content in response to such claims, and the termination of users who are repeat infringers. There are numerous exceptions to the statute, and the case law is only now beginning to flesh out these

matters. See, e.g., *Perfect 10 v. CCBill LLC*, 481 F.3d 751 (9th Cir. 2007).

Given the evolving case law related to these issues, it is advisable to consult with legal counsel on a regular basis regarding online advertising and intellectual property activities.

*Greg Sater represents a wide variety of clients in all areas of law relating to trademarks, trade dress, trade secrets, copyrights and other forms of intellectual property, as well as business litigation, contractual negotiations and transactions, and the review of advertising claims and substantiation. Greg can be reached at (310) 286-1700 or by email at gsater@rutterhobbs.com.*

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- How is the collected data used? Is it stored or discarded? Is it disclosed to third parties? If so to whom?
- Are cookies used and if so, what type of information is recorded?
- How can consumers opt out from receiving emails from the website and from disclosure of their information to third parties?
- Does the website collect information from children? If so, how does the website obtain verified parental consent for information about their children in compliance with the Children's Online Privacy Protection Act (COPPA), a federal statute?
- How does the website operator keep its server and online operations secure?
- How can a consumer review and make changes to his or her personally identifiable information, if the website allows such review and changes?
- How do consumers learn of changes made to the website privacy policy?
- What is the effective date of the privacy policy?

Most importantly, once you have a privacy policy in place, your company should act in accordance with it. Many online companies have gotten in trouble with the FTC for having a "deceptive" privacy policy – one that does not reflect the actual practices of the company. Specifically, recent litigation in this area has focused on companies that posted privacy policies promising not to share their customers' personal information but subsequently did share data with third parties. Another trouble area is when companies change their privacy policies without giving consumers appropriate notice and an opportunity to opt-out. Most of the legal actions to date have been based on the FTC Act and state consumer protection statutes that prohibit "unfair and deceptive practices."

The FTC and state Attorneys General have applied these laws to website owners that fail to comply with their own posted privacy policies.

Once you have adopted a legally-compliant privacy policy that you are comfortable with, the privacy policy must be "conspicuously posted" on your website in accordance with OPPA. This means that a link to the privacy policy should appear on the homepage of your site. The link should contain the word "privacy," and should be written either in capital letters equal to or greater in size than the surrounding text, in a type, font, or color that contrasts with the surrounding text of the same size, or be otherwise distinguishable from the surrounding text on the homepage.

As a final point, to the extent possible, your privacy policy should be written in clear and simple language that the average consumer can understand. Certainly legal compliance with OPPA and other laws is a key consideration; however, if your privacy policy is so filled with legal jargon and technicalities that your consumers feel confused about and distrustful of your practices, they may lack confidence in your business and will not feel comfortable providing their information to you online. Thus, seek the assistance of legal counsel to help you draft a website privacy policy that is not only legally compliant but also clear, concise and easy to understand.

*Natasha Shabani specializes in transactional intellectual property law. She has expertise in drafting agreements of all types including licenses, contracts, sweepstakes and contest rules for promotions, and website privacy policies/notices. She also represents clients on copyright, trademark and other legal issues related to intellectual property. Natasha can be reached at (310) 286-1700 or by email at nshabani@rutterhobbs.*

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## *Recent Intellectual Property Engagements Completed by RHD*

- Brought and obtained federal court injunctions against several websites infringing the patent, trademark, copyright, and trade dress rights of popular infomercial products and falsely advertising their knock-off products as being "As Seen On TV."
- Obtained domain names from cyber-squatters through UDRP arbitrations.
- Reviewed numerous print ads, website ads, and television infomercials for false advertising law compliance, including ads for fitness and weight loss products.
- Cleared and registered numerous federal trademarks for multiple clients.
- Drafted contracts for multiple licensors and licensees regarding distribution rights to various patents, products, television infomercials, and trademarks.
- Litigated cutting edge case involving CDA immunity issues and online publicity right violations through user-generated content.
- Stopped several competitors of clients from bidding on the clients' names or trademarks as keyword search terms with Google, Yahoo!, and Microsoft.

## RHD ATTORNEY UPDATE

We are pleased to welcome Paul N. Tauger to the firm's Intellectual Property practice group. Paul brings 16 years of experience in licensing and intellectual property litigation, with particular expertise representing the computer and video game industry. He also represents a diverse clientele ranging from vitamin distributors to pool cleaner manufacturers. Paul can be reached at (310) 286-1700 or [ptauger@rutterhobbs.com](mailto:ptauger@rutterhobbs.com).

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