

insight

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TRADEMARK ISSUES POSED BY INTERNET KEYWORDS

BY: JOANNE CEBALLOS

Have you performed an Internet search of your trademark or service mark and found the results include links to your competitors' websites? Do you use your competitors' marks as Internet keywords (such as through Google's AdWords program) so that a link to your website appears as a Sponsored Link when those marks are searched? While a number of courts in the United States and abroad have addressed the issue of whether the use of marks as Internet keywords constitutes infringement, the results have been inconsistent. This article provides an overview of the varying stances taken by courts on this issue, focusing on decisions in the United States, as well as a summary of Google's AdWords policy on trademark use.

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A TRAP FOR THE UNWARY — DID YOU OBTAIN ALL THE RIGHTS UNDER YOUR PATENT ASSIGNMENT YOU BARGAINED FOR?

BY: DAWN KERNER

"X hereby assigns to Y all of X's right, title and interest in Z patent." This, or similar language, is included in many standard patent assignments to define the rights transferred. What rights, however, are actually transferred with that language? What rights did you intend to receive and, more particularly, what rights did you pay for? Specifically, would you receive the rights to sue for damages arising from both past and future infringements? Or, have you fallen into the trap for the unwary?

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“TRADEMARK ISSUES POSED BY INTERNET KEYWORDS”

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Google’s AdWords program allows advertisers to buy keywords that Internet users are likely to enter as search terms. When a Google search for a keyword is performed, the advertisement appears as a sponsored link to the advertiser’s website. Typically these sponsored links are positioned to the right of or above the “organic” search results and identified with the header “Sponsored Links.” Google AdWords and other Internet keywords are unlike meta tags, which are hidden text that are invisible to the average user but that can be used by Internet search engines as a basis for ranking and displaying organic search results. Internet keywords are not embedded on the website, but rather are a software function of the search engine that causes the desired link to appear as a sponsored result whenever a user searches for the designated keyword.

Under U.S. law, trademark infringement occurs when one party uses a mark in commerce that is confusingly similar to another party’s trademark. Courts have split on the threshold issue of whether use of trademarks as Google AdWords or meta tags constitutes “use in commerce.” For example, New York courts have generally held that use of another’s trademark as a keyword in Google’s AdWords program or as a meta tag is not actionable as “trademark use” when the mark does not appear in the search results or on the sponsored website. The reasoning of the New York courts is that use of another’s mark in a manner that is not visible to the public is analogous to a company’s internal use of the term and, therefore, does not constitute use in commerce. One New York court has found, however, that there is commercial use of a mark when the trademarked term appears in the sponsored links triggered by the search for the term.

Courts in a number of other states, including California, New Jersey, Pennsylvania, and Virginia, consider use of trademarked terms as keywords or meta tags to be “use in commerce,” even if the terms do not appear in the search results, reasoning that such use of another’s trademark is an advertising use that draws consumers to the competitor’s site. The courts in these cases then consider whether likelihood of confusion results from one party’s use of another party’s trademarks as keywords or meta tags, and, in particular, whether such use is likely to create infringing initial interest confusion. Initial interest confusion occurs when the use of another’s trademark lures a customer to a competitor’s site. This is an infringement even if the customer realizes that the trademark owner is not the true source of the goods before a sale is consummated. Courts have come to different conclusions on whether the use of trademarks as keywords in Google’s Ad Words program creates a likelihood of initial interest confusion. For example, the U.S. District Court for the Northern District of

California held that the question is a triable issue of fact. On the other hand, the U.S. District Court for the Eastern District of Pennsylvania treated the issue as a question of law, holding that no likelihood of initial interest confusion results from the use of trademarks as keywords or meta tags because consumers are not taken by a search engine to any particular website, but are provided with a list of results that they can investigate.

Some courts bypass the “use in commerce” issue entirely and focus only on whether use of another’s marks as keywords or meta tags creates a likelihood of confusion as to the source of the goods or services associated with the marks. Two federal courts of appeal, the Seventh and Ninth Circuits, have answered the question of whether likelihood of confusion results from use of trademarks as meta tags in the affirmative. A Texas district court held that whether use of trademarks to trigger sponsored links creates initial interest confusion is a question of fact, and cannot be decided as a matter of law under summary judgment.

The U.S. Court of Appeals for the Ninth Circuit has also considered whether use of a competitor’s mark in meta tags constitutes “fair use,” thus allowing the advertiser to avoid liability for trademark infringement. Because the alleged infringer used its competitor’s mark not to reference the competitor’s products but instead to attract people to the infringer’s website, the court found no fair use.



Thus, the general trend in the United States, outside of New York, is to allow a cause of action for trademark infringement to proceed, based on use of trademarked terms as keywords in Google's AdWords program or as meta tags. Even in New York, if the trademarked term appears in Internet search results in association with the alleged infringer's website or on the website, a court may find that such use of a mark creates a likelihood of confusion as to the source or sponsorship of the competing goods or services.

As is the case in the United States, courts in European countries have reached different conclusions regarding whether the use of trademarked terms as keywords in Google's AdWords program or as meta tags constitutes trademark infringement. There is also conflict among courts in the same country. In Germany, for example, one court recently held that use of a competitor's trademark as a Google AdWords keyword is not "trademark use" if the search result is clearly cognizable as an advertisement. In contrast, other German courts have held that use of marks as meta tags can constitute infringing trademark use, and opined that meta tags and keywords should be treated consistently.

While keyword advertising has generally been found to be unobjectionable in the United Kingdom and the Netherlands, French courts have held that advertisers should not use trademarked terms as keywords in Google's AdWords program.

Google has established a trademark policy to address complaints by trademark owners about other parties' uses of their marks as keywords in Google's AdWords program. The policy does not apply to search results, only sponsored links. The policy differs for trademark owners who claim rights to a mark in the United States, Canada, the United Kingdom and Ireland, and those who claim rights in other countries. When Google receives a complaint from a trademark owner in the United States, Canada, the United Kingdom or Ireland, it will only require the advertiser to remove the trademark if it appears in the ad text of the sponsored link. Google will not disable keywords in response to a trademark complaint relating to marks for which rights are claimed only in these countries. Thus, even though in at least one California case in which Google was a party, the court held that use of a competitor's trademark as a keyword in Google's AdWords program is use in commerce which may result in initial interest confusion, Google's policy in the United States is more consistent with the recent New York decision finding use in commerce and the potential for likelihood of confusion only when the trademarked term appears in the text of the search results.



Outside the United States, Canada, the United Kingdom and Ireland, Google will not only require advertisers to remove a trademarked term from ad text but also will not permit use of the mark as a keyword trigger. It is unclear why Google has adopted two different policies given the indeterminate state of the law worldwide. Google will not take action if the advertiser's site is triggered by a generic search term with or without combination with a trademark. For example, if the keyword trigger is "shoes," the fact that a link to a competitor's site would appear in the search results for "Nike shoes" is not actionable, because the keyword trigger is the generic term, not the mark.

In summary, a trademark owner with a claim to rights outside of the United States, Canada, the United Kingdom or Ireland can invoke Google's AdWords complaint procedure to stop competitors from using its mark as a keyword to trigger a sponsored link. A mark owner with rights limited to those countries, however, must take direct action against a party using its mark as a keyword to stop such use of the mark. Conversely, Internet advertisers who want to use a competitor's mark as a keyword can currently operate without risk of Google shutting down their efforts, as long as their competitor does not have rights outside of the United States, Canada, the United Kingdom or Ireland, and as long as the triggered ad does not use the mark within the text of the ad. Such Internet advertisers are still at risk, however, for an expensive lawsuit, with uncertain results, depending upon the forum in which they can be found to be conducting business. ■

A TRAP FOR THE UNWARY

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WHAT “ALL RIGHT, TITLE AND INTEREST” REALLY MEANS

Webster’s online dictionary defines “all” as: “*the whole amount, quantity, or extent of.*” Consistent with this seemingly all inclusive definition of “all,” an assignee would not be unreasonable to assume that an assignment transferring “all right, title and interest” in a patent to him would in fact transfer the rights to sue and collect damages for infringements occurring both after and before the effective date of the assignment. To the surprise of many assignees, however, courts for the past 140 years have held the opposite. As far back as 1868, the Supreme Court in *Moore v. Marsh*, 74 U.S. 515, 522 (1868), set forth the rule existing today that an assignment does not automatically transfer the right to sue for prior infringement. This rule derives from the principle that whoever owned the exclusive right to the patent at the time the infringing acts were committed has the right to sue for patent infringement related to those acts. The Supreme Court in *Moore* held that because the assignee of the patent at issue did not own the patent at the time the infringement occurred, he did not have the right to sue for damages relating to that past infringement — before the patent was assigned to him.

In a later case, the Supreme Court set forth an exception to the rule provided in *Moore*. See *Crown Die & Tool Co. v. Nye Tool and Mach. Works*, 261 U.S. 24, 40-41 (1923). The exception provides that for an assignee to have the right to sue for past infringement, the assignment must manifest an intent to transfer such a right. Thus, despite the broad scope that the language “all right, title and interest” suggests, the language does not automatically confer the right to sue for past infringement unless such rights are expressly stated in the assignment. For those assignees who are not aware of the rule the Supreme Court set forth long ago, the consequence of not expressly providing for the exception — the right to sue for past infringement — can be a trap for the unwary and a costly mistake if the damages incurred for past infringement are considerable.

HOW TO GET “ALL” YOU NEED FROM YOUR PATENT ASSIGNMENTS

The Supreme Court in *Crown Die* did not endorse any particular language to transfer the right to sue for past infringement. Indeed, to this day, no statute or case law requires particular wording or phraseology to express the transfer of that right. Instead, courts determine whether an assignment has transferred the right to sue for past infringements based on a proper construction of the assignment, which turns on state contract law. See *Minco, Inc. v. Combustion Eng’g Inc.*, 95 F.3d 1109, 1117 (Fed. Cir. 1996).

Minco demonstrates how a court may construe an assignment under state contract law (there Tennessee law) to determine whether the right to sue for past infringement was effectively transferred. In *Minco*, Minco acquired rights to the patent at issue through a chain of three assignments. The first and third assignments expressly conveyed the right to sue for past infringement. The defendant, however, challenged the second assignment in the chain, claiming that the second assignment did not transfer the right to sue for past infringement and, therefore, Minco never obtained that right. The court, however, disagreed, noting that under Tennessee law, “the entire context of the contract informs the meaning of any particular term.” See *Minco*, 95 F.3d at 1117.

The court construed the meaning of the phrase “all right, title and interest,” as used in the second assignment, in light of the entire context of that assignment. While the second assignment did not say in so many words “I hereby transfer the right to sue for past infringements,” it did state that the first assignment transferred all “right, title and interest,” including “all rights of action and damages for past infringement.” From that, the court concluded that the second assignment clearly conveyed the right to sue for past infringement, that is, the additional language expanded the scope of the term “right, title and interest” to encompass the right to sue for prior infringement.

As in *Minco*, a court may be willing to broadly construe the phrase “all right, title and interest” to include the right to sue for past infringement, if the assignment expressly provides that the phrase includes the right to sue for past infringement. To minimize the risk that a court would not interpret an assignment as the parties intended, they should clearly and expressly use language that transfers the right to sue for past infringement. While there are no “magic words” to use in an assignment, the following two examples may be starting points:

“...together with the right to sue and recover for past, present and future infringement”

“...including all income, royalties, damages and payments now or hereafter due or payable with respect thereto, and to all causes of action (either in law or in equity) and the right to sue, counterclaim, and recover for past, present and future infringement of the rights assigned or to be assigned under this agreement.”

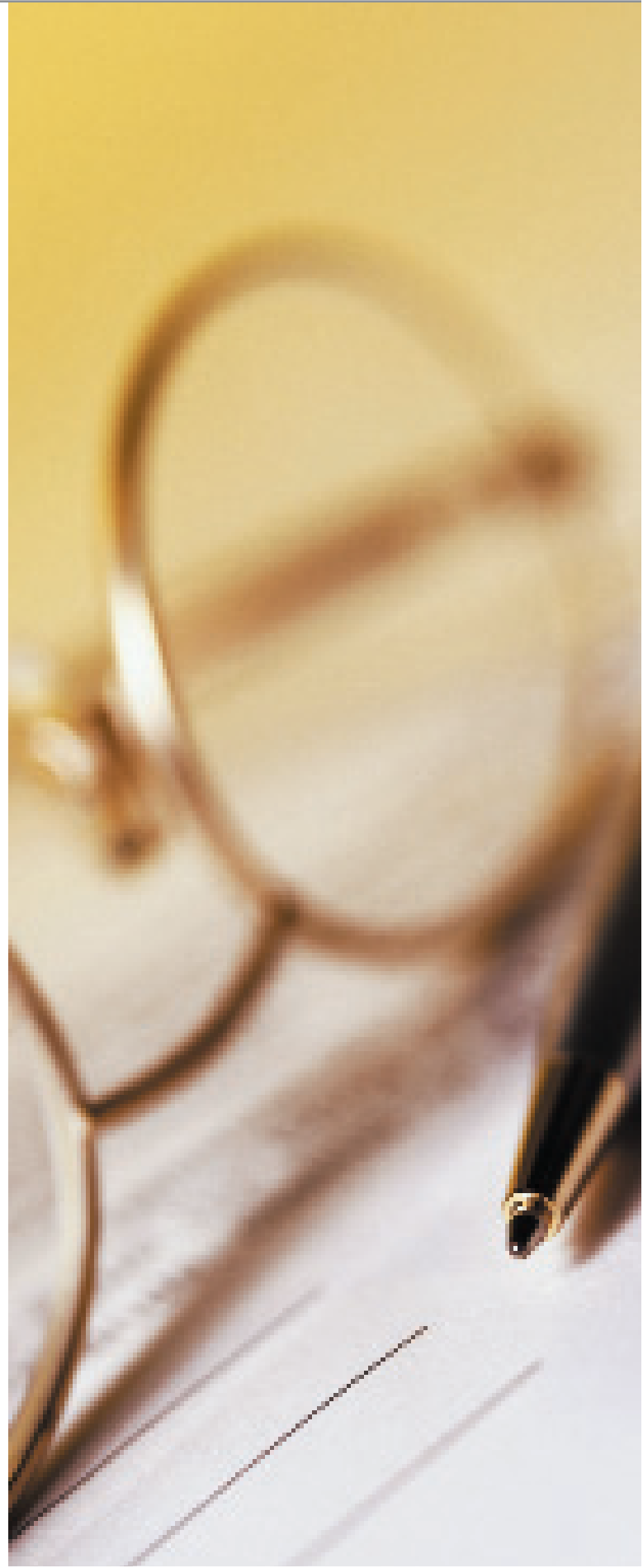
Harold Einhorn, *Patent Licensing Transactions* vol. 2, App. 1-256.1, App. 1-256.3 (2008).

DO YOUR ASSIGNMENTS COVER PAST INFRINGEMENTS AS INTENDED?

If you question whether an assignment transfers the right to sue for past infringement, you should look to the governing law for interpreting the assignment to determine how the agreement should be interpreted. As demonstrated in *Minco*, other language in the agreement read together with the “right, title and interest” language may effectuate the transfer of the right to sue for past infringement. Similarly, in some circumstances a *nunc pro tunc* agreement, i.e. a document executed by the parties after the actual transfer, may be effective to memorialize the transfer of the right to sue for past infringement if the transfer had in fact previously occurred. But see *Enzo APA & Son, Inc. v. Geopag A.G.*, 134 F.3d 1090 (Fed. Cir. 1998) (holding ineffective a *nunc pro tunc* agreement that was used to clear the chain of title following an oral exclusive license).

If, read in its entirety, an assignment does not expressly transfer the right to sue for past infringement, an assignee may nonetheless be able to obtain that right later from the assignor by executing a supplemental assignment agreement. Unlike a *nunc pro tunc* agreement, which memorializes what was agreed upon but not expressly stated in an earlier transaction, a supplemental agreement is a new agreement that requires additional consideration for obtaining the additional rights.

In conclusion, it is always worth considering whether the right to sue for past infringement is worthwhile. If the potential damages that are recoverable from past infringement do not justify the cost of obtaining the right to sue for past infringement, you or your client may not want such a right. Assuming that right is desired, the best way to avoid any forfeiture is to clearly express the transfer of that right in the assignment document. ■



IN THE SPOTLIGHT

RatnerPrestia joined over 20,000 biotech and pharma industry leaders from 70 countries at the BIO 2008 International Convention in San Diego on June 16-20, 2008. RatnerPrestia's booth in the State of Delaware pavilion was among 2100 exhibit booths and pavilions representing hundreds of countries from around the world and most states. Paul Prestia, Chris Lewis, Brian Cocca, Joy Mulholland, and Annie Caucci represented the firm and exchanged information about IP law with nearly 1,000 attendees who visited the firm's booth. The annual BIO Convention is the largest international annual meeting forum for the biotechnology industry. A goal of BIO is to stimulate partnering between biotech companies and larger established companies or humanitarian agencies to develop and bring to market promising new therapies. Service providers, such as RatnerPrestia, participate to assist these companies and to facilitate this partnering, which often implicates intellectual property recognition and protection and technology transfer. Guest speakers at the convention included Governor Arnold Schwarzenegger, General Colin Powell, and noted biologist Craig Venter.



Bob Seitter spoke at a breakfast sponsored by Delaware Bio and the Delaware Small Business Development Center on June 4, 2008. Bob's presentation, "IP Due Diligence: Patent Portfolio Issues", examined the interplay between due diligence and contract negotiation to address IP issues as the acquisition process unfolds.

On June 3, 2008, Bob also spoke at the ITT Worldwide Lawyers Conference and presented "Patent Trends in The U.S.: Three Branches Of Government Respond", where he presented statistics showing the growth in issued patents, licensing revenue and patent litigation from 1980 to the present. Bob's presentation also addressed the recent stalled actions taken by the federal government's executive and legislative branches to address the problems they perceive as well as the impact of the Supreme Court's recent decisions in patent cases.

Harrie Samaras authored an article for the May 29, 2008 edition of The Legal Intelligencer entitled, "Has the Supreme Court Made What's Old New Again in Hall Street v. Mattel?".

Harrie also moderated a 3 hour program at the American Intellectual Property Law Association Spring Meeting regarding the use of mediation in IP cases.



Barbara Foley, RatnerPrestia's Executive Director, authored an article for the June 2008 Legal Administrators Supplement to The Legal Intelligencer entitled, "Maximizing Talent: Key Components to Developing a Successful Managing Partner/Legal Manager Team".

Ken Nigon will be speaking at the "Advanced Patent Prosecution Workshop 2008: Claim Drafting and Amendment Writing", which will be held in New York City on July 24 and 25, 2008 by the Practising Law Institute.



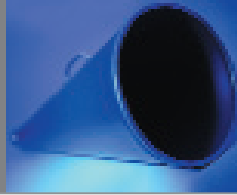
Lauren Schmidt served as a Special Awards Judge at the 2008 Intel International Science and Engineering Fair held May 11-16, 2008 in Atlanta.

Rex Donnelly authored an article for the April 2008 IP Supplement to The Legal Intelligencer, entitled "Prominent Use of Trademarks Greatly Influences Trade Dress Likelihood of Confusion".



Josh Cohen presented "Sustaining the Competitive Edge of Design Innovations: Strategies for Protecting the Fruits of Design Thinking in Postmodern Organizations" at the Design Management Institute's International Education Conference, held in Paris, France April 14-15, 2008.

ANNOUNCING



RatnerPrestia recently sponsored the Mid-Atlantic Diamond Ventures (MADV) Early Summer Ventures Forum, which took place on Friday, June 6, 2008 at the Philadelphia Country Club. At this Forum, several early-stage companies presented their business plans, strategies, and inventions to attendees, which included a variety of business, venture capital, investment, and academic leaders from the U.S., Europe, and the Middle East. The companies are interested in attracting funding from the investment community for furthering their invention's development and commercial viability. RatnerPrestia will be hosting the next MADV Forum, scheduled for September 2008. MADV is affiliated with Temple University's Fox School of Business.



From left to right: Rex Donnelly, Brad Yops, and Delaware Supreme Court Justice Henry duPont Ridgely on the occasion of Rex Donnelly moving for Brad's admission to practice in Delaware under Rule 55.1. Photo courtesy of Angela Q. Lewis, Hercules Incorporated, a Brazilian attorney admitted to practice in Delaware as a Foreign Legal Consultant under Rule 55.2 the same day Brad was admitted.



Rex Donnelly, recently moved for the admission of Brad Yops to practice law as in-house counsel in the State of Delaware under Delaware Supreme Court Rule 55.1. Brad is Assistant Director of Intellectual Property and Technology Transfer for the University of Delaware.



RatnerPrestia Shareholders **Paul Prestia, Ben Leace, Ken Nigon, and Harrie Samaras** have been honored as 2008 Pennsylvania Super Lawyers by *Law & Politics* and *Philadelphia Magazine*.



Jacques Etkowicz, Shareholder with RatnerPrestia, has been elected President of the Benjamin Franklin American Inn of Court.

Jennifer Gold, a RatnerPrestia 2008 Summer Associate, was recently appointed the new President of Temple University's Graduate Student Entrepreneurship Club.



TRADEMARK CORNER...



TRADE DRESS LIKELIHOOD OF CONFUSION MINIMIZED BY PROMINENT USE OF TRADEMARKS

By: Rex Donnelly

A recent Third Circuit decision, *McNeil Nutritionals, LLC v. Heartland Sweeteners, LLC.*, with implications for both brand owners and makers of store-brand and private-label goods, held that the overall commercial impression of some store-branded packaging trade dress did not support finding a likelihood of confusion with brand-name packaging because the imitation packaging prominently featured other distinguishing marks, including store names and logos.

Plaintiff McNeil Nutritionals sought relief for infringement of the trade dress for its Splenda® sucralose sweetener by Heartland Sweeteners, maker of store-brand sucralose sweeteners for Ahold, Food Lion, and Safeway. The District Court denied a preliminary injunction for all of the packaging designs, finding that McNeil was unlikely to succeed on the merits of proving likelihood of confusion. The Third Circuit affirmed this decision in part, reversing and remanding only with respect to the Ahold packaging.

Establishing trade dress infringement requires proof that the allegedly infringing design is (a) non-functional and (b) inherently distinctive (or has acquired secondary meaning), and that (c) consumers are likely to confuse the source of the defendant's product with that of the plaintiff's. In the Third Circuit, the likelihood of confusion analysis centers on ten factors, including the degree of similarity between the plaintiff's and defendant's trade dress, strength of the plaintiff's trade dress, relative care of the consumers who purchase the type of product, evidence of actual confusion, similarity of the channels of trade, and similarity of sales efforts.

The trade dress at issue related to boxes of individual sucralose packets and bags for granular sweetener. The Splenda boxes have a horizontal orientation (longer horizontally than vertically) with a yellow background and the name "Splenda" in italicized blue lettering at the top-center front surrounded by a white cloud. The Splenda bags have a vertical orientation with a front design essentially the same as the boxes. Both the Splenda and store-brand packaging have a number of similar elements, including the orientation, overall yellow background color, blue lettering, and photographs of uses for the sweetener (cups of coffee, containers of iced tea, pastries, bowls of cereal or fruit, etc.).

In finding the Food Lion packaging dissimilar to the Splenda packaging, the District Court pointed to the prominent display of the Food Lion name, which is well-known to the relevant consumers, and to a vertical element dividing the package into two parts, similar to other Food Lion packaging. In finding the Safeway packaging dissimilar, the District Court highlighted the prominent display of an S-shaped element that divides the box into 2 portions and leads the consumer's eye to the Safeway name and logo. In affirming the District Court's holding, the Third Circuit viewed the absence of the Splenda mark and the prominent display of the names and logos of the respective Safeway and Food Lion stores as "the most important difference." The Third Circuit noted that while the mere absence of the brand name is not sufficient to cure otherwise infringing trade dress, the prominent presence of another well-known word or design mark might suffice, because such prominent presence may cause enough difference in the overall commercial impressions to weigh similarity in the defendant's favor.

Although McNeil argued the District Court failed to give adequate weight to the imitation packaging's yellow color, the Third Circuit disagreed, noting that consumers are aware that both brand-name and store brands share the same

color for other types of sweeteners and that some packaging for sugar includes a yellow background. Therefore, consumers would not necessarily associate yellow for sucralose with the Splenda brand. The Court also found it appropriate to weigh distinctive design features more heavily than commonly used features (such as the yellow color and photos suggesting uses for the product), because distinctive design features are more likely to impact the overall commercial impression.

In reversing the lower court on the Ahold packaging, the Third Circuit found similarity too important a factor for the District Court to have found no likelihood of confusion when most of the other factors weighed in favor of McNeil or were neutral. The Ahold packaging was found similar in part because there was no distinguishing feature such as the Food Lion vertical bar or the Safeway S-shape, and because the “Sweetener” product name was placed at the top and front of the packaging just like the product name on the Splenda packaging.

Tips for Private-label packagers

- Prominently display distinguishing well-known marks or devices, such as store logos or other eye-catching elements. Elements that are commonly used in the field may be imitated, so long as other distinctive and distinguishing features are prominently displayed.
- Avoid placement of product names and logos in the same place on the package or in a lettering style too closely resembling that used by the branded packager.
- As a long range goal, seek to develop a distinctive and consistent branding style, including the use of trademarks and trade dress that can be immediately recognizable by consumers as an indication of source.

Lessons for Brand-name packagers

- Design product packaging using as many elements as possible that are uncommon to other package designs in the field.
- When identifying the field to be surveyed for common features, view the field broadly (e.g., sweeteners, not just no-calorie sweeteners).
- To strengthen consumer recognition of a particular feature and to establish secondary meaning before imitators come to the market, consider using “look-for” advertising that reflects the feature to be protected (e.g., “Look for the only no-calorie sweetener in the yellow package”).

Ramifications beyond store brands

While the Third Circuit explicitly recognized that store brands can arguably “get away” with a bit more similarity as long as a well-known label is prominently displayed, whether the prominent display of another well-known mark will suffice in other contexts will depend upon the ultimate question of how the display is likely to be perceived by the relevant consumers. The proper focus must always be on whether the trade dress is so similar that it truly creates a likelihood of confusion. ■

Rex Donnelly
Managing Shareholder of RatnerPrestia's Trademark Center,
located in Wilmington, Delaware.

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VALLEY FORGE
SUITE 301
1235 WESTLAKES DRIVE, BERWYN
P.O. BOX 980
VALLEY FORGE, PA 19482
PH (610) 407 0700
FX (610) 407 0701

WILMINGTON
SUITE 1100, NEMOURS BUILDING
1007 ORANGE STREET
P.O. BOX 1596
WILMINGTON, DE 19899
PH (302) 778 2500
FX (302) 778 2600

ALLENTOWN
SUITE 265
COMMERCE CORPORATE CENTER
5100 TILGHMAN STREET
ALLENTOWN, PA 18104
PH (610) 530 8100
FX (610) 530 8200