

## Scenario Two

A rush “due diligence” job has just landed on your desk, and the results are due in less than two hours.

Your client Ginormous Media has been acquiring “Web 2.0” businesses at a furious pace to provide “eyeballs” for its huge catalog of online advertisements. It assesses sites based on “stickiness” (how well they attract and hold users over the course of hours, weeks, and years) and “targeting” (how narrowly they slice users to make them of maximum interest and value to the advertisers). The company has set its sights on a new target.

The following background information was provided for the IP, corporate, and tax teams working on the project:

Brandtopia is a web site where groups form based on brand affinity rather than school, employer, hobby, political inclination, religion, or other criterion. Sub-sites run the range from “A” (AcmeBread@brandtopia.org, a local Bay Area brand) to “Z” (Zyrtec@brandtopia.org, a national pharmaceutical brand) and include such recognizable names as Prada@brandtopia.org, for fans of Prada fashions; Prius@brandtopia.org, for owners and wanna-be owners of the Toyota Prius hybrid automobile; and Propel@brandtopia.org, for people who enjoy Propel fitness water. Brandtopia depicts its community names in a consistent typeface and font size on both sides of the “@” sign.

The idea of a “brand community” is not new, but Brandtopia prizes courteous and useful contributions, and moderators actively remove off-topic postings and other “spam” to maintain the quality of the community. Cross-talk between competing brands is kept civil. As a result, anyone visiting the site finds it a tremendously valuable resource, full of helpful and enthusiastic volunteers; they just can’t help getting sucked in. Launched in November 2005, member registration now seems to be doubling every few months.

A few months ago, the administrators added two discussion boards to each community to allow members to carry on “unrelated” business, subject to the restriction that it be family friendly. The “members only” SideTalk and FleaMarket boards look like the site’s other boards, but keep posts only for two weeks. (The FleaMarket is more like Craig’s List than like eBay.) These services have become extremely popular, with some members staying on the site several more hours per week to chit-chat or shop.

Ginormous views Brandtopia as an excellent opportunity, and a potential bargain. While there is competition in the marketplace from MySpace Groups and Yahoo Groups, neither of those sites will ever have the singular focus of Brandtopia — and the results so far speak for themselves: Brandtopia’s strategy of adding new communities based on member interest, without engaging in the time-consuming process of entering into a license or sponsorship agreement with the trademark owner, is paying off. Ginormous plans to continue Brandtopia’s current naming strategy, which is to identify its community pages with the “@” format (BrandName@brandtopia.org) and to host pages on matching subdomains (<http://BrandName.brandtopia.org/>). Ginormous also relishes the advertising possibilities offered by Brandtopia’s “opt-in” RSS feeds, which nearly all members wish to receive.

As the only trademark attorney working on the deal, it is your task to assess risks relating to trademark infringement and dilution, and cybersquatting. For the most part, you are expected to apply Ninth Circuit law, but where Ninth Circuit precedent is absent, inconclusive, or inapplicable, you may be guided by decisions from other circuits.

- Q6. In applying the likelihood of confusion test to Brandtopia, there are a number of different doctrines that bear on the similarity or perceived similarity of the Brandtopia community name (BrandName@brandtopia.org) and the brand name around which it is built (BrandName). In evaluating the similarity of marks, which propositions seem most likely to be accepted by a court?
- I. The addition of “@brandtopia.org” distinguishes the community name from the mark because it is very prominent in the mark, whether assessed as a matter of appearance, sound or meaning.
  - II. The addition of “@brandtopia.org” distinguishes the community name from the mark because when viewing email addresses, relevant consumers perceive the text on the right-hand side of the “@” sign as the best indication of source, sponsorship or affiliation.
  - III. The addition of “@brandtopia.org” fails to distinguish the community name from the mark because relevant consumers would consider it similar to a physical location — such as “BrandName at Valley Fair Mall” — and would give it little weight in how they perceive the site’s source, sponsorship or affiliation.
- A. I only, because the considerations in II and III are not part of any multi-factor test for likelihood of confusion.
  - B. I and II together, but not III because only a *de minimis* number of web users would consider a Web 2.0 site analogous to a shopping mall.
  - C. III only, because web users know that, for example, AOL doesn’t generate or approve all messages from SomeUser@aol.com, and thus they do not perceive email addresses that way.
  - D. There is some truth to each of these, at least for some users, but there is simply no doubt that the brand name will dominate the commercial impression of the mark because that is the whole point of the site.
  - E. None of the above.

*Optional Explanation for Q6 (if commenting in a blue book/ExamSoft, refer to Q6):*

- Q7. In applying the likelihood of confusion test to Brandtopia, what, if anything, is likely to be considered persuasive evidence that a particular trademark's Brandtopia community is within the natural scope of expansion of the trademark owner's business?
- I. Many companies take advantage of Web 2.0 features to promote themselves, including having their executives blog on their sites and, in some cases, creating their own YouTube channels.
  - II. Many companies host or sponsor support forums on the web (or via old fashioned news groups) in which customers can receive user-to-user advice on problems with the companies' products.
  - III. Many companies offer email subscriptions for announcements of new products and/or special offers.
- A. I and II, but not III because RSS is technically quite different than email.
  - B. I and III, but not II because company controlled web sites never allow any criticism of the companies' products.
  - C. II and III, but not I because these are one-way communications that allow, at best, user comments, but no actual discussion among users.
  - D. I, II, and III. Although these items, even in combination, fall short of Brandtopia's full range of services, nevertheless, consumers may well see a Brandtopia community as the "next logical step" for the mark owner.
  - E. None of the above. Each example individually, and the combination of all of them, fails to demonstrate the obviousness of the Brandtopia site.

*Optional Explanation for Q7 (if commenting in a blue book/ExamSoft, refer to Q7):*

Q8. In applying the likelihood of confusion test to Brandtopia, different circuits would emphasize different factors in relation to the sophistication of relevant consumers and the care with which they are likely to regard the mark. However, the general principle that sophisticated and careful customers are less vulnerable to confusion applies in all circuits. If each of the following propositions is found to be supported by both the evidence and the law, what significance are they likely to be given in the context this case?

- (1). Fans of “famous brand” products — such as Prada fashions and Prius automobiles — are closely attuned to their respective trademarks, and would immediately take notice of even small variations from those familiar marks. E.g., *Marshall Field vs. Mrs. Field’s*; cover design of *Farmer’s Almanac*.
  - (2). The Web 2.0 generation is very well informed about the web and interactive technologies, and savvy in distinguishing official sites from other sites, such as fan, reseller, and parody sites.
- A. (1) is likely to be very persuasive overall, but (2) is not because many people over 30 are not so savvy about web sites.
  - B. (2) is likely to be very persuasive overall, but (1) is not because many people will stumble into the web site accidentally when doing web searches, and might suffer from initial interest confusion.
  - C. Both (1) and (2) leave many potentially “unsophisticated” and “careless” Internet users, and even if they are a minority of web users, they deserve protection against confusion as long as their number is not insubstantial.
  - D. Neither (1) nor (2) is particularly compelling alone, but taken together, they make a compelling case against likelihood of confusion.
  - E. The “sophistication” or “care” factor is so far down the list that, as a practical matter, it would be irrelevant.

*Optional Explanation for Q8 (if commenting in a blue book/ExamSoft, refer to Q8):*

- Q9. Because Brandtopia clearly intends to refer to third party trademarks in a “nominative” or “referential” manner, it is very likely that the company would defend the use of community names in the form of BrandName@brandtopia.org under *New Kids on the Block*. Do the community names pass that test?
- A. Yes, because there is no efficient way to identify “Prada,” for example, without using the word “Prada,” and the site uses no logos or stylization implying a special relationship.
  - B. No, because the third party mark is used to identify Brandtopia’s services rather than (or in addition to) the trademark owner’s products/services, and therefore would be perceived as a source indicator, not a reference.
  - C. Yes, because there is a strong public policy in favor of free expression on the Internet, particularly for content that the trademark holder would not approve on its own.
  - D. No, because the community name creates the misleading impression that the user can email the trademark owner through Brandtopia.
  - E. Maybe; it really depends on what the judge had for breakfast.

*Optional Explanation for Q9 (if commenting in a blue book/ExamSoft, refer to Q9)*  
**(comments are strongly recommended for this question):**

- Q10. How is a court likely to analyze the use of third party brand names in community addresses, e.g., <http://BrandName.brandtopia.org/>, under trademark infringement principles?
- A. Because users are likely to use the address whenever they visit the site, and whenever they send someone a link to the site, a court is likely to analyze it as the primary trademark consumers would use to refer to the community.
  - B. Because consumers are likely to recognize the community name BrandName@Brandtopia.org as the principal source identifier, and the address as a short-hand reference thereto, the address would receive little separate consideration.
  - C. Because Brandtopia's addresses fail to convey the dual message that they are "not the original," they would not qualify for a free expression exception from the theory of initial interest confusion.
  - D. Because Brandtopia's addresses all contain its brandtopia.org server name, they do not fit the usual paradigm of tricking users away from the trademark owner's site and thus cannot cause initial interest confusion.
  - E. Courts no longer apply trademark infringement principles to domain names, and thus would apply only the anti-cybersquatting law.

*Optional Explanation for Q10 (if commenting in a blue book/ExamSoft, refer to Q10):*

Q11. Many Brandtopia communities are built around famous marks (or marks their holders think are famous). Which is the best assessment of the legal analysis of “dilution by blurring” under the Lanham Act as amended?

- I. Use of BrandName@brandtopia.org is likely to impair the distinctiveness of BrandName as a source identifier because it associates an additional, unauthorized web site with the owner of BrandName and/or its products.
  - II. In assessing the famousness of BrandName, the fact that Brandtopia created a community for a specific mark would prove that there is a high degree of “actual recognition” of the mark by the general consuming public across the nation.
  - III. Brandtopia qualifies for the “noncommercial use” exclusion because the site is not limited to “commercial speech” — despite the operation of the user-to-user FleaMarket.
- A. I and II.
  - B. III only.
  - C. I and III.
  - D. II and III.
  - E. I, II and III.

*Optional Explanation for Q11 (if commenting in a blue book/ExamSoft, refer to Q11):*

- Q12. Many Brandtopia communities are built around famous marks (or marks their holders think are famous). Which is the best assessment of the legal analysis of “dilution by tarnishment” under the Lanham Act as amended?
- I. Use of BrandName@brandtopia.org is likely to harm the reputation of BrandName because it associates criticism of the company and its products with the BrandName mark.
  - II. In applying the likelihood of dilution factors, the fact that Brandtopia created a community for a specific mark would prove that there is “actual association” between Brandtopia’s services and the BrandName mark.
  - III. Brandtopia qualifies for the “noncommercial use” exclusion because the site is not limited to “commercial speech” — despite the operation of the user-to-user FleaMarket.
- A. I and II.
  - B. III only.
  - C. I and III.
  - D. II and III.
  - E. I, II and III.

*Optional Explanation for Q12 (if commenting in a blue book/ExamSoft, refer to Q12):*

- Q13. In examining the Brandtopia site, you discover that the company is “beta testing” a new feature, currently called the “Brand Bling Shop.” Co-developed with Zazzle, each community’s Brand Bling Shop will feature member-created merchandise — such as mugs, mousepads, and t-shirts (“identi-Tees”) — incorporating the BrandName@brandtopia.org community name along with the user’s choice of text and images. Brandtopia receives a very small portion of the proceeds. Should Ginormous be concerned?
- A. Yes, because people glancing quickly at these products will experience post-sale confusion about whether they saw BrandName or not.
  - B. No, because such displays constitute advertising, not use in commerce in connection with goods.
  - C. Yes, because in many cases the likelihood of confusion analysis would be less favorable for such merchandise than for the Brandtopia site itself.
  - D. No, because nominative fair use must extend to ancillary goods or it would be a hollow right.
  - E. Yes, because it would support an argument under the Anti-Cybersquatting Consumer Protection Act that Brandtopia is using brandtopia.org for profit, rather than making fair noncommercial use.

*Optional Explanation for Q13 (if commenting in a blue book/ExamSoft, refer to Q13):*

- Q14. After reading about the conflicting results of targeted or “keyword” advertising cases, you realize you need to assess whether Brandtopia might “cross a line” by selling ad space on BrandName@brandtopia.org to a competitor of BrandName. What is your best thinking based on the evolving law?
- A. The *Playboy*, *GEICO*, and *WhenU* cases are not relevant — as long as Brandtopia pre-sells advertising in a specific community and does not link advertisements to the presence of a particular BrandName in real time.
  - B. The reasoning of the *WhenU* cases is more applicable — as long as Brandtopia only links the advertisement to BrandName invisibly, in software code.
  - C. The reasoning of the *Playboy* and *GEICO* cases is more applicable, because Brandtopia is effectively selling a trademark — if it offers advertisers the option to advertise in communities of their choice.
  - D. As courts increasingly question the validity of applying initial interest confusion theory on the Internet, competitors will no longer be liable for targeted advertising, and therefore Brandtopia would not have any secondary liability.
  - E. The company should move out of the Ninth Circuit because the courts here show no sign of moderating their protection for trademarks on the Internet.

*Optional Explanation for Q14 (if commenting in a blue book/ExamSoft, refer to Q14)*  
**(comments are strongly recommended for this question):**

Q15. Suppose you learn, upon further inquiry, that Brandtopia has a secret policy of preventing companies from advertising in a direct competitor's community (e.g., no Chevrolet ads on Ford@brandtopia.org). However, companies that offer only "aftermarket" parts, accessories, and supplies are allowed to advertise in those communities. Brandtopia currently places the message "Sponsored Links" near these advertisements, but is thinking of relabeling them "Marketplace." How does this additional information affect your likelihood of confusion analysis?

- I. There may be confusion as to source, sponsorship, or affiliation whether the advertisers are either direct competitors or suppliers of complementary goods or services.
  - II. All web users recognize "Sponsored Links" as identifying third party advertising, but that is far less clear from the word "Marketplace," raising the concern that Brandtopia might have some liability for the appearance of recommending those products.
  - III. The "secret policy" demonstrates a good faith intention to avoid causing a likelihood of confusion, which would be given significant weight in the multi-factor test.
- A. I only.
  - B. II only.
  - C. III only.
  - D. I and II.
  - E. I and III.
  - F. II and III.

*Optional Explanation for Q15 (if commenting in a blue book/ExamSoft, refer to Q15):*

Q16. A brief online investigation reveals that the domain name brandtopia.com is registered to a person or company in Belgium, and the domain record was created in September 1999. The site currently displays brandtopia.com atop a page of shopping related links generated by ad syndication; it also prominently lists the domain for sale on the Sedo aftermarket for an asking price of 10,000 Euros (over \$13,700 at current exchange rates). The page's footer states: "This page provided to the domain owner free by Sedo's Domain Parking. Disclaimer: Domain owner and Sedo maintain no relationship with third party advertisers. Reference to any specific service or trade mark is not controlled by Sedo or domain owner and does not constitute or imply its association, endorsement or recommendation." What is your assessment of this information?

- I. Under common law principles, brandtopia.com's priority is determined from the September 1999 domain registration date, as long as ownership was continuous.
  - II. The owner of brandtopia.com is simply "parking" the domain and rather than having "under construction" or "page not found" displayed, the host displays a "default" page of advertising. Such merely passive behavior cannot constitute use of a mark.
  - III. If the domain was listed for sale after the public launch of Brandtopia, it could constitute bad faith "trafficking" in the brandtopia.com domain under the ACPA, even if the original registration and all actual use on the web has been in good faith.
- A. I only.
  - B. II only.
  - C. III only.
  - D. I and II.
  - E. I and III.
  - F. II and III.

*Optional Explanation for Q16 (if commenting in a blue book/ExamSoft, refer to Q16):*

Q17. Further investigation of brandtopia.com at The Internet Archive (at Archive.org) shows that from May 25, 2001 through as recently as June 22, 2006, the site had quite different content: “Brandtopia.com offers direct links to the official sites of more than 1000 brand-name retailers, catalogs, manufacturers and service providers. Brandtopia helps you cut through the clutter of the Internet, to find your favorite brands quickly and easily.” In its footer was the notice: “The ‘Brandtopia’ name is a registered Benelux trademark of John Bogaert.” Archive.org first captured the “domain parking” site on August 30, 2006, at which time the former ownership information disappeared. Although more investigation is required, it appears very likely that the domain might have changed hands around that time. If that is true, what are the implications?

- I. There might be a written agreement between the earlier user and the current user transferring not just the domain, but also assigning the trademark, and nothing else need be proven to acquire priority at least as far back as May 2001, if not September 1999.
  - II. The domain might have been acquired through an “expired domain auction” as a result of loss of interest by the original site operator, and in this case, the acquisition of the major asset of the earlier business would effectively transfer the trademark rights.
  - III. If he did *not* assign his trademark rights, the original owner might be deemed to have abandoned those rights by no longer displaying his site, but that is only legally guaranteed under U.S. law after three years have passed without resumption of use.
- A. I only.
  - B. I and III.
  - C. II only.
  - D. II and III.
  - E. None of the above.

*Optional Explanation for Q17 (if commenting in a blue book/ExamSoft, refer to Q17):*

- Q18. Some communities are built around a brand that also is the name of a celebrity, such as JLo@brandtopia.org, for fashions, GeorgeForeman@brandtopia.org, for grills, and MarthaStewart@brandtopia.org, for linens, housewares and furniture. What liability might this create under the laws that protect a celebrity's right of publicity in her or his name (State statutes and common law)?
- A. The right of publicity is limited to the scope of the celebrity's activities, and since none of them is known for operating Web 2.0 sites like Brandtopia, there can be no liability.
  - B. Because the Brandtopia site has proven to be at least as socially valuable as a parody, a court likely would apply the free expression analysis articulated in the *Cardtoons* case and conclude that the use was excusable.
  - C. Because a community name is closely analogous to the title of an artistic work, a court likely would apply the *Rogers* test to these uses and conclude that they were "artistically relevant" to the content, and "not explicitly misleading" as to the source, of Brandtopia's services.
  - D. Because the celebrities licensed their names for use as trademarks in connection with products or services, they must tolerate nominative use of their names to refer to those products and services under the same legal standards as any other mark, so there is no additional issue.
  - E. Liability for using a celebrity's name requires that the usage be commercial, and because Brandtopia is almost entirely noncommercial — the FleaMarket boards and future Brand Bling Shop are *de minimis* — the site is free to use celebrity names any way it likes.

*Optional Explanation for Q18 (if commenting in a blue book/ExamSoft, refer to Q18)*  
**(comments are strongly recommended for this question):**