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Amicus Curiae

UNITED STATES DISTRICT COURT

NORTHERN DISTRICT OF CALIFORNIA

J.K. HARRIS & COMPANY, LLC, Plaintiff, vs. STEVEN H. KASSEL, *et al.*, Defendants.	CASE NO. C 02-0400 CW **AMICUS CURIAE BRIEF IN SUPPORT OF DEFENDANT'S MOTION FOR RECONSIDERATION** [No Hearing Noticed] Judge Hon. Claudia Wilken Date of First Filing: 1/23/02

I. STATEMENT OF INTEREST OF AMICUS CURIAE

The Electronic Frontier Foundation (EFF) is a membership-supported, nonprofit public interest organization dedicated to protecting civil liberties and free expression in the digital world. Founded in 1990, EFF is based in San Francisco and maintains one of the world's most linked-to Web sites, www.eff.org. Because the Court's March 22, 2002 preliminary injunction order in this case upsets the traditional and proper balance between trademark law and free expression, EFF seeks leave of this Court to participate as amicus curiae in support of the motion for reconsideration filed by Defendants Steven Kassel and Firse Tax, Inc. (hereinafter "Taxes.com").

II. ARGUMENT

Trademark law, at its foundation, is intended to protect the interests of consumers in receiving reliable information about goods and services. This objective is accomplished by granting to the suppliers of such goods and services a limited right to control the misleading use of their brands and associated symbols. However, because this grant of rights empowers trademark owners to restrict expression, it carries with it the potential to impinge upon the ability of society at large to communicate and receive information. Consequently, Congress and the courts have incorporated certain limiting principles into the fabric of trademark law which serve to balance trademark law with First Amendment values. See, e.g., New Kids on the Block v. New America Publishing, 971 F.2d 302, 308 (9th Cir. 1992) (articulating "nominative fair use" defense); 15 U.S.C. § 1125(C)(4)(a) (Lanham Act's comparative advertising exception).

The central feature of trademark infringement jurisprudence—the likelihood of confusion standard—has traditionally served as a primary bulwark preventing legitimate trademark interests from intruding into the realm of constitutionally-protected free expression. It is precisely when this standard is relaxed, as it is in cases of "initial interest confusion," that special care must be exercised to protect

free speech interests. See J.K. Harris & Co. v. Kassel, No. CV-02-400 CW (N.D. Cal. March 22, 2002) at 8 (hereinafter "Opinion") (recognizing that consumers will not be confused as to source); see also Brookfield Communications, Inc. v. West Coast Entm't Corp., 174 F.3d 1036, 1062 (9th Cir. 1999) (recognizing that, at least where search engines and HTML tags are concerned, there is little chance of consumer confusion).

The Court's preliminary injunction ruling appears to rest on an error of fact: the conflation of "metatags" with other, functionally-distinct types of HTML tags. See Local Rule 7-9 (reconsideration appropriate to correct mistake of fact). As a result, the Court's ruling dangerously expands the reach of the judge-made "initial interest confusion" doctrine, permitting Plaintiff here to overreach the legitimate bounds of trademark law and intrude into the zone of protected expression. When properly understood, the facts of this case bring it squarely within the bounds of the nominative fair use doctrine.

A. The Court's Discussion of "Metatags" Is Based On An Error of Fact.

In arriving at its ruling, the Court appears to have conflated one special kind of tag—"metatags"—with other, functionally distinct categories of web page tags, including formatting tags such as title, underscore, and heading tags.

Hyper-Text Markup Language ("HTML") is the universal publishing language behind the World Wide Web. See generally Preston Galla, How the Internet Works at 141 (2002). Every web page is comprised of HTML, which can be viewed by selecting the "view" menu and "source" option in any web browser. Web pages are constructed from a mixture of text and images, as well as pairs of instructions set off by carets, known as "tags." A typical web page visitor never sees the tags—these are intended to convey information to the software that displays the web page. The characteristics of tags are defined by the HTML standard (currently in version 4), formulated by an international group known as the World Wide Web

Consortium ("W3C").[1]

There are a variety of tags available to a web page designer. Formatting tags can be used to control the size and color of the font or whether the word appears bold, italicized or underlined. Browsers read these tags and display the information appropriately. For example, if a web publisher wanted to underline the words "Brown v. Board of Education," she would express this in HTML as <u>Brown v. Board of Education</u>. Title tags, denoted as <title> </title>, enclose the text that is meant to appear in the title bar at the top of the web browser window. Heading tags define the size and weight of the typeface in which text is displayed.

Metatags, in contrast, are a special category of tags that are meant to assist search engines in cataloging the web page. So, for example, a web publisher can use the "keyword" metatag to assist search engines in indexing the subject matter of the web page. "Description" metatags allow a web publisher to provide a brief summary of a page, which search engines can incorporate into its search results pages. Content marked off by these types of metatags generally remains invisible when a page is displayed in a browser window. Such content is directed expressly toward influencing search engine results (and thereby toward influencing initial consumer interest).

Metatags and formatting tags serve distinct purposes. Keyword metatags are similar in function to the genre headings that one finds on paperback novels. Publishers use these genre headings to indicate to bookstore owners where they should shelve the books so that customers can find the book quickly and easily. Description metatags are similar to the teaser plot summaries included on book-jacket flaps. By contrast, formatting tags are similar to the typesetting contained within the book, having everything to do with the way the information is displayed but having nothing to do with where the book is shelved.

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[1] See <http://www.w3.org>.

Unlike the plaintiffs in Brookfield Communications and Playboy Enterprises, Inc. v. Welles, 279 F.3d 796 (9th Cir. 2002), Plaintiff here does not rely on the presence of its marks in the metatags of the challenged web pages. Instead, it based its infringement claim on the appearance of its marks in the textual portions of the web pages, as modified by formatting tags such as underscore and heading tags, as well as the presence of links to third-party materials. See Opinion at 3. While Plaintiff attempts to obfuscate this leap with terms like "keyword density" and "architecture," the reality is that this case has nothing to do with the keyword metatags involved in Brookfield and Welles. Instead, Plaintiff argues that Taxes.com manipulated the textual content of the web pages in order to influence search engine results.

Any extension of the initial interest confusion doctrine beyond metatags into the content and formatting of the text of a web page raises serious First Amendment concerns. Such an extension is particularly unwarranted in this case, where the mark is used exclusively in a nominative sense to refer to Plaintiff's own products, and without appropriating any logos or protected stylistic elements. To the extent the Court's ruling allows Plaintiff to state an initial interest confusion claim based on the arrangement and formatting of web page text, as distinguished from use in metatags, it represents a marked and unwise expansion of the principles enunciated in Welles and Brookfield.

B. Taxes.com Did Not Use Plaintiff's Marks More Than Reasonably Necessary.

The Court's preliminary injunction ruling regarding Plaintiff's Lanham Act claim turned on its conclusion that Taxes.com used Plaintiff's marks more than reasonably necessary, thus failing prong 2 of the nominative fair use test set out by the Ninth Circuit in the New Kids on the Block opinion. See Opinion at 12-13. In light of the discussion above regarding the distinction between metatags and the uses Plaintiff here objects to, the Court's conclusion merits reconsideration.

The Brookfield court used a road-sign metaphor to illustrate the harm created by initial interest confusion. See Brookfield, 174 F.3d at 1064. In that example, a business uses the trademark of a competitor on a road sign to lure unsuspecting customers off the highway. Unable to locate the store featured on the sign, the customers choose the defendant's store as a ready substitute. The activity of Taxes.com stands in stark contrast to this example. Here, the web pages posted by Taxes.com are more akin to a billboard leased by a small business owner near a Wal-Mart that warns potential Wal-Mart customers of predatory pricing and unfair labor practices of the Wal-Mart chain and asks them to shop at their locally-owned merchant instead.

Just as in the instant case, the hypothetical anti-Wal-Mart billboard would create no likelihood of confusion that would support a traditional infringement action. What if Wal-Mart were to invoke the initial interest confusion doctrine, claiming that the local business owner is attempting to divert and distract potential Wal-Mart customers? Applying this Court's analysis, the billboard would be tested under the New Kids standard. A critical billboard should pass muster under prongs 1 and 3 of the New Kids test without difficulty, just as did the Taxes.com web pages—when publicizing information critical of a competitor's products, services and conduct, there is no reasonable substitute for using the competitor's marks and no suggestion of sponsorship or endorsement.

The question would then turn on whether the hypothetical billboard used more of Wal-Mart's marks than was reasonably necessary. Assuming that the billboard used the Wal-Mart name solely in text, omitting any logos or distinctive colors or type (as did Taxes.com's web pages), would it exceed the bounds of the "reasonably necessary" to underscore the Wal-Mart name? To emblazon "Wal-Mart Being Investigated by Feds" as the billboard's title? To select the town's chief thoroughfare for its location, instead of a country backroad? To repeat Wal-Mart's name as often as the local merchant feels necessary to present the unflattering

information in its entirety? In short, is a Wal-Mart critic entitled to design his billboard to be complete and visually effective, to attract not only the eyes of Wal-Mart customers, but also the local press and media?

It cannot be that the New Kids standard was meant to shelter only critics who dressed their messages in drab, visually unappealing vehicles, where the subject of the criticism remained visually indistinguishable from the surrounding text or consigned to back-road locations. It also cannot be that prong 2 of the New Kids standard was meant to empower courts, in the absence of consumer confusion, to exercise case-by-case censorship over the editorial content of critical commentary by a competitor. The public has a right to truthful information regarding the companies that they patronize, and competitors have both the incentive and the right to deliver such information—in the absence of the nominative fair use defense, the First Amendment should step in directly to protect this communication.

Brookfield is not to the contrary. The defendant in that case, West Coast Video, stands as far from Taxes.com as the disingenuous road sign does from the anti-Wal-Mart billboard. First, West Coast Video used Brookfield's mark to describe West Coast Video's own products, by using the MovieBuff trademark in its domain name and in its keyword metatags. Here, Taxes.com is not using the term "J.K. Harris" for any purpose other than describing the allegedly inferior quality of Plaintiff's services and products. The Ninth Circuit explicitly left room for just this type of purely nominative use in comparative advertising. See Brookfield, 174 F.3d at 1066 ("For example, its [West Coast] web page might well include an advertisement banner such as 'Why pay for MovieBuff when you can get the same thing here for FREE?' which clearly employs 'MovieBuff' to refer to Brookfield's products."); also SSP Agricultural Equipment, Inc. v. Orchard-Rite Ltd., 592 F.2d 1096, 1103 (9th Cir. 1979) (the use of a competitor's trademark for purposes of comparative advertising is not trademark infringement). When there is no other descriptive substitute for the trademark, "precluding their use [of the trademark]

would have the unwanted effect of hindering the free flow of information on the Internet, something which is certainly not a goal of trademark law." Welles, 279 F.3d at 804.

At least one other court has been called upon to address directly facts that mirror those confronting this Court. In Bihari v. Gross, 119 F.Supp.2d 309 (S.D.N.Y. 2000), the defendant—a former customer of the plaintiff Bihari—created a web site that warned other potential customers about the plaintiff's allegedly unscrupulous business practices. The Bihari court found that the defendant's speech was commercial. Id. at 318. Nevertheless (and despite the fact that the defendant's web site used the plaintiff's trademark in its metatags), the court found that initial interest confusion was absent. The court based its decision on three factors. First, unlike Brookfield, the URL of the web site was not based on the plaintiff's trademark. Other courts have also found this factor to be persuasive when deciding initial interest confusion cases. See BigStar Entertainment, Inc. v. Next Big Star, Inc., 105 F.Supp.2d 185 (S.D.N.Y. 2000); Interstellar Starship Services, Ltd. v. Epix Inc.,184 F.3d 1107 (9th Cir. 1999). Second, because the purpose of the web site was to harm the plaintiff, a reasonable viewer would not believe that the plaintiff endorsed the web sites. Third, because there was no lengthy delay between attempting to access the plaintiff's web page and failing to do so, initial interest confusion was absent. Bihari, 119 F.Supp.2d at 319. These three factors are also present in this case—Taxes.com's domain name does not use the J.K. Harris mark, the content of the web page makes it clear that J.K. Harris and Taxes.com are competitors, and customers who mistakenly reach taxes.com instead of jkharris.com are able to immediately exit the page. Just as it was in Bihari, it is clear here that Taxes.com's use of the J.K. Harris marks is intended to criticize a competitor's product; it "is not a bad-faith attempt to trick users into visiting his websites." Id. at 321.

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C. The Court's Ruling Dangerously Expands the Reach of Trademark Law With Respect to Internet Search Engines.

As discussed above, by eliminating the "likelihood of confusion" requirement in trademark infringement cases, the initial interest confusion doctrine puts trademark law on a collision course with free expression. An effective limiting principle is especially critical in the Internet context, where the doctrine threatens to substantially interfere with the development of the search engines on which Internet users increasingly depend.

The primary utility in Internet search engines does not lie in their ability to locate official company homepages. Internet users employ search engines to discover a broad range of sources for information regarding a particular topic. While this may often include the official web site of a trademark holder, it certainly is not so limited. For example, consumers may turn to the Internet specifically to discover the testimonials of others who have experience with a vendor or product (witness the existence of collaborative "review" sites such as epinions.com). Plugging the name of a market leader into a search engine can also be an efficient way to locate that vendor's lesser-known competitors in order to comparison shop. Finally, the members of the press may count on search engines to quickly obtain information, both official and unofficial, regarding a company or product. To the extent that the Taxes.com web pages challenged here appeared in the top search results for "J.K. Harris," each of the aforementioned categories of searchers would have had their expectations fulfilled rather than "diverted."

In fact, trademark law generally supports "diversion" and "distraction" in "offline" contexts where not tainted by deceit or misdirection. For example, supermarkets and drug stores regularly utilize shelf-space in proximity to famous brands in order to promote their "house" brands. Supermarkets also sell shelf-space near famous brands to competing products. New retail establishments frequently locate in physical proximity to a competitor in order to cannibalize its customers

(Wal-Mart and Starbucks are aggressive exemplars of this stratagem). It is hard to see how the proximity of taxes.com to jkharris.com on search engine results differs in any meaningful sense from these common "offline" industry practices. Trademark owners on the Internet should not receive, via initial interest confusion, control over the "virtual shelf-space" represented by search engine results. Cf. Playboy Enterps. v. Netscape Communications Corp., 55 F.Supp.2d 1070 (C.D. Cal. 1999) (rejecting trademark owner's effort to bar search engine from selling banner ads on search results pages to competitors).

A contrary result for the Internet would be particularly ironic, as search engines are already improving their services so as to make metatags and other "architectural" alterations to web pages increasingly irrelevant to search results. See Stefanie Olsen & Evan Hansen, "Google Votes To Put Surfers In Charge," ZD Net (July 8, 2002)[2]. Search engines are increasingly resistant to deliberate efforts by web designers to manipulate metatags and other self-reported information ("metadata") in order to influence placement in search results. Google, for example, has established itself as one of the leading search engines by discounting metatags and other self-reported metadata in favor of information regarding how many third parties link to the page. See generally Sergey Brin & Lawrence Page, "The Anatomy of a Large-Scale Hypertextual Web Search Engine," Computer Science Department, Stanford University (2000) (white paper by Google founders explaining Google's "PageRank" algorithm).[3] This builds on the insight that the density of third-party links to a page tends to serve as a good proxy for the quality and relevance of the page. Google further discriminates based on the "reputation" of the third-parties who link to a site—thereby discounting for self-generated links to pages. As Google and other search engines further refine their methods, the only

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[2] <http://zdnet.com.com/2100-1106-276211.html>

[3] <http://www-db.stanford.edu/~backrub/google.html>

intentional manipulation of web pages that will influence search results is how persuasive and useful its content is. By eschewing metatags in favor of publishing pertinent information regarding J.K. Harris in a format that web visitors find interesting, Taxes.com is merely ahead of the curve—in the end, it will be the quality of editorial content, along with its formatting and lay-out, that will win out in the web's marketplace of ideas.

In short, in order to protect important First Amendment values, this Court should recognize, as others have, that there are legitimate and illegitimate forms of customer "diversion." The initial interest confusion doctrine should be carefully cabined in the Internet context to respect the difference. In the absence of consumer confusion as to the source of goods or services, a competitor's nominative use of a mark should not cross the line into actionable initial interest confusion unless she employs deceit or deliberate misdirection in order to divert customers away from the mark owner. See Brookfield, 174 F.3d at 1064 ("Using another's trademarks in one's metatags is much like posting a sign with another's trademark in front of one's store."). In contrast, purely nominative uses of a competitor's marks in the text of web pages in conjunction with the publication of truthful information and opinion regarding the competitor's products should remain beyond the reach of the initial interest confusion doctrine. See Bihari, 119 F.Supp.2d at 321 (discussing metatag cases and noting that courts have only held in favor of plaintiffs where "the defendant was using the plaintiff's mark to trick Internet users into visiting defendant's site"). Furthermore, where a mark is being used nominatively in the text of a web page, prong 2 of the New Kids standard ought not be interpreted to permit courts to second-guess the formatting and layout decisions chosen by the publisher, so long as those choices do not foster consumer confusion as to the source of goods or services.

A contrary result would represent a dangerous incursion of trademark law, unmoored from any likelihood of consumer confusion, into the province of the First

Amendment. Cf. 4 McCarthy, McCarthy on Trademark and Unfair Competition, § 27:91 at 27-140 ("Whether through the use of statutory interpretation or concern for free speech, traditional protections for commentators and critics on business and commercial affairs must not be jettisoned. It is important to create critical breathing space for legitimate comment and criticism about products and services.").

III. CONCLUSION

For the reasons above, the Court should reconsider its March 22, 2002 preliminary injunction ruling, find that Plaintiff has failed to establish a substantial likelihood of prevailing on its initial interest confusion claim under the Lanham Act, and vacate section (a) of its preliminary injunction.

DATED: July 8, 2002 THE ELECTRONIC FRONTIER FOUNDATION

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