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Opposition to ICANN's New Domain Name Plan

The Internet Corporation for Assigned Names and Numbers (ICANN) is facing controversy over its plan to create new, generic top-level domain names.

In an attempt to increase Internet address endings, ICANN approved a plan that would allow entities to purchase domains like ".starbucks" or ".ford." The entity could then expand the domain with pages like "frappucino.starbucks" or "mustang.ford." An application fee costs $5,000, which would be credited toward the evaluation fee of $185,000.

While proponents claim that more domains are needed, critics argue that the new domains could be costly for trademark holders who will be forced to spend money to purchase the new names to protect their intellectual property rights. The Association of National Advertisers (ANA), with the support of the American Association of Advertising Agencies, has strongly objected to the plan. The organization recently sent a letter to ICANN's president Rod Beckstrom, stating that the new domains would have "potentially disastrous consequences" for marketers if implemented as proposed. As any third party can apply for the domain names, "legal rights of brand owners" and "safety of consumers" will be jeopardized.

The ANA explained, "By introducing confusion into the marketplace and increasing the likelihood of cybersquatting and other malicious conduct, the program diminishes the power of trademarks to serve as strong, accurate and reliable symbols of source and quality in the marketplace. Brand confusion, dilution, and other abuse also poses risks of cyber predator harms, consumer privacy violations, identity theft, and cyber security breaches." The ANA called the new program a "Hobson's choice" for brands: "expend precious and limited resources to monitor and police their brands over the second level of many new channels or risk brand dilution."

The Interactive Advertising Bureau (IAB) also raised questions in a recent press release, warning that new domain names would "cause incalculable financial damage to brand owners." The IAB called on ICANN to withdraw its plan, which it said could be "disastrous" and "would come at an extremely high cost to publishers and advertisers, and would also offer 'cyber squatters' an opportunity to harm a brand's

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2011 ERA D2C Convention
Topic: "Tools and Metrics for Developing a Truly Integrated Marketing Campaign"
Speaker: Linda Goldstein
Las Vegas, NV
For more information

October 26-27, 2011
ACI Social Media, Business Technology and the Law Conference
Topic: "You Better Disclose That: Ensuring that Your Company is Closely Adhering to the FTC's Endorsement and Testimonial Guidelines"
Speaker: Marc Roth
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integrity and/or profit greatly from their bad-faith domain registrations."

To read the ANA's letter to the president of ICANN, click here.

To read the IAB's press release, click here.

Why it matters: The ANA emphasized the underlying economics of purchasing – or defending – a brand "in the middle of the worst economic crisis since the Great Depression." Brand owners are "essentially being forced to *buy their own brands from ICANN* at an initial price of $185,000. For companies with robust trademark portfolios considering multiple [domain names], the application costs can be exorbitant because a separate application must be filed (and paid for) for each separate name. At the end of this name-selling application process, if there are two applicants seeking [domain names] with confusingly similar strings, ICANN determines the winner by auction, at costs to brand owners that could be staggering," the ANA cautioned.

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"No Reasonable Interpretation" That Havana Club Is Cuban Rum

Bacardi's "Havana Club" does not falsely advertise the rum's geographic origin because "no reasonable interpretation of the label as a whole" could reach that conclusion, the Third Circuit recently ruled.

Competitor Pernod Ricard filed suit, alleging that the name of the product violated the Lanham Act by falsely advertising Cuba as the origin. But Bacardi responded that the label as a whole was not misleading, as it included prominent lettering that read "Puerto Rican Rum" and an explanation that the rum is "distilled and crafted in Puerto Rico" using a recipe developed in Cuba.

At trial, Pernod presented unrebutted survey evidence that approximately 18 percent of consumers who viewed the label believed the rum was made in Cuba or from Cuban ingredients. After a three-day bench trial resulting in a verdict for Bacardi, Pernod appealed. It argued that the court should not have bypassed its survey evidence and was required to consider it when determining whether the "Havana Club" label amounted to a misleading statement of geographic origin.

The Third Circuit examined the message that was conveyed and disagreed. "[W]e conclude…that the Havana Club label, taken as a whole, could not mislead any reasonable consumer about where Bacardi's rum is made, which means that survey evidence has no helpful part to play on the question of what the label communicates regarding geographic origin," the court said. "[T]here is and must be a point at which language is used plainly enough that the question ceases to be 'what does this mean' and becomes instead 'now that it is clear what this means, what is the legal consequence.'" Casting doubt on the use of survey evidence, the court said that "there are circumstances under which the meaning of a factually accurate and facially unambiguous statement is not open to attack through a consumer survey. In other words, there may be cases, and this is one, in which a court can properly say that no reasonable person could be misled by the advertisement in question."

To read the decision in *Pernod Ricard v. Bacardi*, click here.

Why it matters: Despite the court's dismissal of the survey evidence in the case, the panel emphasized that it wasn't foreclosing its use in future cases. "We hasten to add that cases like the present one should be rare, for one hopes that a case with truly plain language will seldom seem worth the time and expense of contesting in court. … A word of caution is nevertheless in order, so that our holding today is not taken as license to lightly disregard survey evidence about consumer reactions to challenged advertisements. Before a defendant or a district judge decides that an advertisement could not mislead a reasonable person, serious care must be exercised to avoid the temptation of thinking, 'my way of seeing this is naturally the only reasonable way.' Thoughtful reflection on potential ambiguities in an advertisement, which can be revealed by surveys and will certainly be pointed out by plaintiffs, will regularly make it the wisest course to consider survey evidence," the court said.

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Facebook: "Like" Statements Are Protected By the First Amendment

After multiple states have alleged that it violated the rights of minors by publicizing their "likes" on the site and using their names and pictures related to goods and services, Facebook has responded.

When a Facebook user "likes" a company's page, his or her name and profile picture are displayed on the page for others to see, as well as on a news feed for all of the user's friends. And the company that was "liked" can also use the user's image to advertise on the site. The suits – filed in California, Illinois and New York – argue that minors under the age of 18 lack the capacity to consent to the use of their names and profile pictures for marketing and advertising, and that the site should obtain the consent of parents or guardians of minor Facebook users before using or selling their names and likenesses for commercial use by third-party advertisers.

In a motion to dismiss, the social network argued that consumer opinions expressed as "likes" qualify as matters of public interest protected by the First Amendment. "Expressions of consumer opinion, such as the plaintiffs' "like" statements challenged here, have repeatedly qualified as matters of public interest under the First Amendment." What constitutes a "matter of public interest" is broadly construed, Facebook argued, and when a user says he or she "likes" certain content, "that user is communicating to his or her Facebook friends an affinity for content that the user's friends have an interest in receiving. In such a circumstance, the 'free flow' of information from the speaker to the audience receiving the communication 'is indispensable.'"

The motion also argues that the plaintiff's claims are preempted by §230 of the Communications Decency Act, as well as the Children's Online Privacy Protection Act. Immunity applies under the CDA because the plaintiffs "seek to hold Facebook liable for displaying information provided by another party – plaintiffs themselves – who chose to publish the statements alleged here," the company argued. And because "Congress considered and rejected a parental consent

requirement for minors aged 13 to 17, deferring in large part to teenagers' First Amendment rights to access and communicate over the internet" when it enacted COPPA, the plaintiffs should not be allowed to create a parental consent requirement that Congress rejected. Facebook asked the court to dismiss the suit with prejudice.

To read the complaint in *E.K.D. v. Facebook*, click here.

To read Facebook's motion to dismiss in *E.K.D. v. Facebook*, click here.

Why it matters: While the suits filed in Illinois and New York are still pending, a similar suit filed in California was dismissed. As the court in that suit observed, "Facebook exists because its users *want* to share information – often about themselves – and to obtain information about others."

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LG Loses Battle over Steam Dryers

A U.S. District Court judge has overruled a jury verdict for LG Electronics in a suit alleging that Whirlpool Corp. falsely advertised its steam dryers.

LG filed an $85 million suit in 2008 claiming that Whirlpool's advertised "steam dryers" did not in fact use steam, but simply injected cool water into a hot spinning drum. After a three-week trial, a federal jury in Illinois returned a verdict in favor of Whirlpool on all counts except one under the Illinois false advertising statute. The court denied a request for a permanent injunction to halt Whirlpool from advertising and marketing that its product uses steam.

U.S. District Court Judge Amy St. Eve granted Whirlpool's motion for judgment as a matter of law because Whirlpool's advertising did not occur "primarily and substantially" in Illinois as required under state law. LG "introduced *no evidence* concerning Whirlpool's advertisements of its dryers in Illinois" and instead "focused exclusively on Whirlpool's nationwide marketing practices," she wrote.

Evidence of a nationwide form of behavior does not constitute conduct occurring "primarily and substantially" in Illinois, the judge ruled. "Contrary to LG's suggestion, Illinois does not necessarily bar a company harmed by a nationwide practice of false advertising from seeking relief under its laws. To avail itself of Illinois's [false advertising] statute, however, such a plaintiff would have to establish that the challenged advertising occurred primarily and substantially within the state."

To read the complaint in *LG Electronics v. Whirlpool*, click here.

To read the court's order in *LG Electronics v. Whirlpool*, click here.

Why it matters: The court's decision removes LG's only victory in the case, on the Illinois state false advertising claim, after a jury found for Whirlpool on the Lanham Act and Illinois consumer fraud claims.

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Noted and Quoted...*Environmental Leader* Taps Christopher Cole to Discuss Green Marketing Enforcement Trends

On August 18, 2011, *Environmental Leader* called upon Christopher Cole, a partner in Manatt's Advertising Litigation and Green Marketing practices, to review the FTC's latest enforcement actions taken against companies making improper environmental claims about their products and services.

In October 2010, the FTC released its so-called proposed Green Guides which have yet to be finalized. While the industry awaits the issuance of the final document, Chris cautions companies that "the FTC has assured it will continue to monitor advertising claims in furtherance of its duty to police false claims under Section 5 of the FTC Act, and will bring enforcement regardless of the state of the Guides." Chris expects that the "FTC will continue its pattern of enforcement against 'low hanging fruit,' i.e., obvious cases of false advertising...."

To read Chris's byline article, "Regulation of Green Marketing: The State of Play in Summer 2011," click here.

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